

Habitus and Embodied Institutions

A Study of Manufacturing Enterprises in Kabul's Conflict-Affected
Market Economy and Adaptive Strategies for Enterprise Continuation
during 2002-2018

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Declaration

I, Kambaiz Rafi, confirm that the work presented in this thesis is my own. Where information derived from other sources have been used, it has been indicated in the thesis.

Abstract

This research studies the effects of embodied institutions rooted in social structures on the individual decision to enter manufacturing activities in Kabul during 2002-2018 – a political economy characterized by political conflict and a market-oriented ‘enabling environment approach’ (EEA). The EEA taken as the macro-level policy backdrop, the study draws on the dialectical relationship between the patriarchal family and Quranic injunctions pertaining to socio-economic life to draw the embodied institutions, which are then used as micro-analytic tools for explaining data patterns pertaining to the investment decision and the subsequent strategies for enterprise continuation. Using a ‘convergent parallel mixed method’, the research has adopted the Bourdieusian framework, in particular the concepts of habitus and field. Rooted in the family-religion relationship, the effects of investor habitus are observed in structuring the decision to enter manufacturing sector and the subsequent encounter with this field, including strategies for enterprise continuation. The latter, moreover, is seen as closely patterned along the patriarchal family hierarchy, reproducing in large degree the social structure where habitus is produced in the context. Building on this empirical analysis, the study relies on qualitative indicators to argue that the sector has not grown structurally significant in Kabul’s economy during 2002-2018. Habitus’ effect is also observed as a conduit for transmitting the hierarchy of power in the family to the production sector. Targeted state/bureaucratic intervention is therefore required in such a context to promote this sector’s growth within a modified EEA framework, and to moderate the uninterrupted transfer of the patriarchal family hierarchy into this sector through political and regulatory means.

Impact Statement

The research epistemology contributes to debates on productive resource allocation, combining concepts from political economy of institutions and economic sociology for studying empirical individuals in relation to decisions they make for allocating their scarce resources. This epistemology crucially helps in investigating why individuals engage in an economic activity, prior to the domain of exchange, in conditions that are not nearly conducive or predictably profitable. Related to policy, one important outcome from the research epistemology pertains the alternative understanding and practice of resource allocation in post-conflict or conflict-affected developing economies. The set of open concepts in the thesis are applicable to contexts other than Kabul where some conditional similarities are present. Most pertinent, an institutionalist approach that applies the concepts of habitus, field, and forms of 'capital' – a Bourdieusian framework – can facilitate pre-field preliminary speculation as to the kind of policy terrain the practitioner or researcher might be dealing with, thence permitting a degree of context-sensitive policymaking when empirical data is yet unavailable. When the latter is undertaken, in turn, use of these tools would help gather a richer data set as a *posteriori* knowledge for development policymaking – this represents a significant break from the current policy that fundamentally draws on an *a priori* assumption regarding its main unit of analysis, individual economic interest.

The research findings also highlight the implications to manufacturing of a market-oriented 'non-intervention' policy framework in a country which has arguably witnessed, in some ways, the inflow of unprecedented international financial and human resources among least developed economies in recent history of such outside assistance. Theoretically and within such a context, the examination draws focus on whether 'non-intervention' strategy has led to structurally significant manufacturing sector. Reflection on this topic should invite important rethinking regarding the underlying assumptions of development policy.

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Acronyms and Abbreviations

ACBR-IP	Afghanistan Central Business Registration and Intellectual Property
AIA	Afghanistan Industrial Association
AIE	Active Institutional Element
CI	Conversational Interview
DP	Deferred Payment
EEA	Enabling Environment Approach
GDP	Gross Domestic Product
IA	Institutional Analysis
IFIs	International Financial Institutions
IMF	International Monetary Fund
IP	Industrial Park
MAIL	Ministry of Agriculture, Irrigation and Livestock
MoIC	Ministry of Industry and Commerce
MoF	Ministry of Finance
NATO	North Atlantic Treaty Organization
NDF	National Development Framework
NGO	Non-governmental Organization
NNN	Non-pecuniary, non-committal and non-reciprocal social relationship
NSIA	National Statistics and Information Authority
PRSP	Poverty Reduction Strategy Paper
QPS	Qualitative Proxies of Significance
RCE	Rational Choice Economics
RCT	Rational Choice Theory

RQ	Research Question
RRCO	Relief, Reconstruction and Civilian Operations
SAF	Securing Afghanistan's Future
SOC	State-owned Corporation
SOE	State-owned Enterprise
SIGAR	Special Inspector General for Afghanistan's Reconstruction
The Bank	The World Bank
TC	Transaction Cost
UN	United Nations
UNAMA	United Nations Assistance Mission in Afghanistan
UNDP	United Nations Development Program
USAID	United States Agency for International Development
DoD	United States Department of Defence

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I should add that despite the many intellectual contributions, I remain solely responsible for the contents of this thesis.

Chapter 1. Introduction

The problem of individual decision to allocate their material-productive resources has been the subject of recurring contestation while often having in mind a ‘formal’ institutional setting – those that are codified in law and recognized by state political authority. This has meant that this contestation is often witnessed along the dichotomous debate of ‘non-intervention’ by a formal external agent in how this decision is made, against various degrees of ‘intervention’ by such bodies to participate in or coordinate this decision based on a plan (e.g., state direction based on an industrial policy). Focusing on the ‘formal’ milieu has perforce led to the gradual exclusion in political economy research of the effects of other non-codified or ‘informal’ institutions as also relevant in the study of this decision – particularly in societies where ‘codified’ domains of socio-political life are yet not expansive. This is the problem with which the thesis engages; studying the effects on individual allocative decision of ‘informal’ (i.e., social) institutions in a recent case, Kabul during 2002-2018, by investigating the practical knowledge that shapes this decision – the use of *practical* referring to this knowledge’s transmission primarily in a learning process that is centred on *practicing* a profession during a lived experience, than through formal didactic means. Building on this theoretical point, the thesis, in a further step, analyses the effects of this decision-making and the subsequent encounter with the field of production on whether manufacturing sector has grown structurally significant (criteria for doing so discussed below) in Kabul’s economy during the aforementioned period.

This investigation is inevitably framed within the above dichotomous debate due to this debate’s preeminent relevance in also shaping post-2001 Afghanistan’s economic policy, including in Kabul’s case¹. The policy is formulated mostly externally during a period that the country witnessed concerted effort by myriad foreign and domestic actors for establishing or rehabilitating most areas of ‘formal’ governance after prolonged war. This investigation is, as such, at once a study of the micro-level of individual decision-making and its impact on manufacturing sector’s development, and by that same process a reflection on the economic policy in this period.

¹ In the text, ‘Afghanistan’ is used when the discussion is on the general political economy backdrop. The empirical ground is Kabul (2002-2018).

The thesis considers the role of the ‘non-intervention’ approach that has gained ascendancy from the 1970s and 1980s in economic development (Harvey, 2005; Glyn, 2006). This has, since the 1990s, been accompanied with a growing intellectual and policy shift to accommodate the role formal institutions of the state can play to sustain such forms of resource allocation (Rajagopal, 2008). The line of thinking that weds a ‘market-oriented’² policy with the suitability of the institutional environment for it to come about, is encapsulated in a strategy that has been referred to in the thesis as the *enabling environment approach* (EEA). The ideas for this approach have gradually emerged from the early 1990s and are articulated more coherently in policy documents by the World Bank.

Considering this focus on ‘institutions’, the expert discussion on this phenomenon has also, in parallel, gained momentum and various conceptions of this term, rooted in earlier traditions, have entered the intellectual debate (see Hodgson, 2006). Despite this plurality, the work by New Institutional Economics (NIE) in this area has carried more weight in shaping World Bank thinking (see, in particular, Chhibber et al., 1997, World Bank, 2000/2001, 2002), which has sought to marry the analytic tools of neo-classical economics with an institutionalist reading of economic productivity in different societies at present and throughout history. The World Bank World Development Report 1997 regarding “the state in a changing world” draws heavily on works by NIE thinkers, among them Douglass North’s influential works, particularly his 1990 book *Institutions, Institutional Change and Economic Performance* (Chhibber et al., 1997:178)³ – see chapter 2, section 2.2. for detailed treatment of this and other World Bank documents relevant to the topic in hand. The view on institutions premised on the necessity of the legal and socio-normative environment to realize market-based productive activity has had a significant role in configuring World Bank’s Comprehensive Development Framework, which forms the basis of World Bank and IMF Poverty Reduction Strategy Papers (see the report by the World Bank president James

² The inverted commas throughout the thesis indicate – apart from proper nouns or new concepts – a problematization of the taken-for-granted concepts. In here, ‘market’ is marked this way to indicate that this concept’s *real* existence, as a milieu of exchange, warrants empirical research or, to the least, should not be assumed as uniform, existing everywhere in the same way with an invariant substance.

³ North was also among the group of advisors who helped create the report.

Wolfensohn, 1999). North and NIE's contribution is particularly pronounced in the World Bank *World Development Report 2002: Building Institutions for Markets*⁴:

“Markets allow people to use their skills and resources and to engage in higher-productivity activities if there are institutions to support those markets. What are these institutions? Rules, enforcement mechanisms, and organizations supporting market transactions” (World Bank, 2002)

NIE has made important strides in wedding individual micro-level wealth maximizing behaviour by organizations/entrepreneurs within the macro-level of formal, informal institutions and enforcement mechanisms in a disciplinary tradition that straddles political science, economics, sociology, history, legal studies, and many other fields of social sciences. The unifying objective in this tradition is to account for dynamic movements in economic history based on a conception of development that seeks to complement but go beyond the static neoclassical conceptions that are seen (for instance, by North) as inadequate to account for historical change or stagnation. Important work in NIE investigates why certain societies have managed to achieve higher productivity and others have failed to do so by a sufficient degree (however this is measured). The answer to this is sought in a study of formal and informal institutions as the scaffoldings within the constraints of which wealth-maximizing individual practices, with high or low relative productivity as a result of higher or lower transaction costs, are explained.

The thesis derives EEA in two ways; firstly, it reviews important World Bank documents in the 1990s, a period during which the use of 'enabling environment' and its semantic intricacies for policy purposes gradually emerge. Secondly, it investigates the gradual influence the conception of 'institution' has had on the World Bank's developmental policy. The treatment of NIE in the thesis, therefore, is not in the sense of critically evaluating a causal link between it and EEA, an exercise which is often misleading given that doctrinaire transfer of ideas into the policy realm is often not perfect even in the case of fundamentally dogmatic polities. It is merely, on the other hand, meant to bring out the conception of 'institution' the World Bank-devised EEA has in view, which is derived more

⁴ The report begins with a quote by North.

coherently from NIE's articulation of this concept among other sources. This alignment is made easier also due to the substantive orientation seen in a primarily market-oriented development model pursued by the World Bank, and NIE's investigation of the role of market frictions as an impediment to productivity (taking market-based allocation as a given, that is). In comparison, the other prominent institutionalist school in economics, Old Institutionalism (OIE, also called evolutionary economics or institutional political economy) does not lay primacy on markets (see Rutherford, 1994), which has made NIE's work the paramount theoretical field whence World Bank's pro-market policy is mostly derived. The thesis has synthesized some seminal works to trace the principal ideas in NIE, keeping in mind differences (Rutherford, 1994) within this tradition⁵ and that this is not all that is associated to this school (Coase 1937, 1959, 1960, 1998, 2005; North 1990, 1991, 1992, 1993, 2005; Williamson 1973, 1993, 2000, 2005; Ostrom, 1998, 2005, 2007; Putnam 1993; Olson 1965; De Soto, 2000; Menard and Shirley, 2005; Mickiewicz, 2010; Acemoglu and Robinson, 2012). Au contraire, the ideas in OIE have had no discernible contribution, to my knowledge, in how IFIs have formulated EEA, though the ideas in it are useful in a critical take on NIE – the thesis partly draws on the ideas of institutions in this school (see chapter 3, section 3.1.).

The choice of the study case, Kabul (2002-2018), is apposite partly to examine the outcome of the human and financial cost expended in Afghanistan in general during the study period, a country that has arguably witnessed a 'golden age'⁶ of some form unprecedented in its history regarding some of its aspects. To illustrate, adjusted to inflation the expenditure on Afghanistan's 'reconstruction' overtook the Marshall Plan as the United States' most costly foreign intervention by July 2014 (SIGAR, 2014). Reading the thesis analysis and findings should keep in mind this unprecedented historical context.

The primary research interest, however, remains theoretical while having in mind a developmental concern: to contribute to debates on the micro-level of allocative

⁵ For instance, North sets a distinction between his and Oliver Williamson's approach in particular, calling his the 'University of Washington Approach' (see North, 1990: 27). Rutherford (1994: 17) distinguishes between the broad 'Austrian' and 'Neo-classical' wings in NIE.

⁶ In contemporary political economy, the term has been used by economist Stephen A. Marglin (for example, in Marglin, 1992) for the 1950s-60s high rate of socio-material development mainly in Europe, North America, Soviet Union, some East Asian countries and Australia.

decision-making, connecting it to the political economy of secondary sector development in a critical reflection regarding the EEA policy in Kabul (2002-2018).

EEA's implementation in practice in Kabul can be seen in the absence of state intervention for (in)direct coordination of individual decision-making for resource allocation or participation therein. As will be discussed more in detail, this is mostly with the assumption that individuals will independently decide to invest if, most importantly, governmental institutions (laws and regulations) for such investments are assembled and enforced – the *environment* becomes *enabling*. The problem of coordinating the allocation of (non)material resources in the economy is thence left to 'open' markets to manage that are believed to facilitate exchange between individuals. In some of its first iterations in 20th century, this perspective on economic management is found in the ideas of Ludwig Von Mises (1990), later developed by Frederick Hayek (1945)⁷, who postulated that markets facilitate exchange between individuals who are holders of tacit or explicit information concerning the fleeting and durable opportunities in their immediate vicinity in time and space. Information that is available to and serviceable by them as buyers and sellers, reflected in the prices they agree upon that guide their decision to allocate resources, thereby resolving society's allocative problems of what, when, how and for whom to produce. This self-perpetuating "marvel" of market prices (Hayek, 1945) is supposed to function as a highly complex yet spontaneous 'communication' device that regulates allocation without the need for, or the possibility of⁸, state or community political control concerning its myriad details.

The thesis attempts to re-direct the 'epistemological lens' regarding the problem of resource allocation to degrees of coordination affecting individual decision at the *social* level; that is, the effects of implicit embodied institutions as determinants of resource allocation even where 'formal' policy sanctions a non-intervention allocative regime. By this, I mean to study the form of coordination determined by social structures that shape individual social behaviour in general, including their choice of profession and hence, their allocative preference. Put another way, bureaucratic non-intervention of state institutions in economic resource allocation

⁷ For a discussion of differences between Mises and Hayek on this topic, see Salerno (1990).

⁸ For a critique of such centralized resource allocation, see Ludwig von Mises's 1920 essay *Economic Calculation in the Socialist Commonwealth* (1990).

does not preclude the effects other institutions at the social level might have on this area.

The social structures transmitting these implicit institutions reside in the objective surroundings of the individual; e.g., family, material and 'symbolic' wealth, physical environment, religious and ethical codes, and so forth. This objective reality produces 'subjective' potentialities in individual actors, which, in turn, come into constant contact with objective conditions in routine life. Conditions similar to those that initially produces this subjective potentiality and others that are new and overlay new *dispositions* upon this potentiality. The subjective potentiality therein inculcated reproduces the structures that were the site of its initial production and subsequent development with various degrees of homology or deviation. A form of *internalized objective* structure, this potentiality functions as a spontaneous generative mechanism for social practice through the individual agency. A "structured structure" that functions as a "structuring⁹ structure", this concept is encapsulated in contemporary political economy and sociology in the term *habitus* by Pierre Bourdieu (1971, 1984, 1990, 1998, 2000; Bourdieu and Pesseron, 1977; Bourdieu and Wacquant, 1992). Habitus is a "dynamic, multi-scalar, multi-layered" (Wacquant, 2016) schema that inhabits an individual, is deposited as dispositions, and makes possible practical decisions in social life based on self-activated individual agency. It is an objective reality turned into subjective disposition that leads to the spontaneous capability to interact with and (re)produce objective reality(s).

We will see in the theoretical part of the thesis that, related to an institutionalist reading of resource allocation, the adoption of this 'lens' transforms the nature of norms and rules as more than "constraints" as is suggested in NIE (for example, by North 1990; 1991, 1992, 1993, 2005), rather seeing them as elements that generate an ordering mechanism that organizes human social relations through recurring practice. These recurring practices are *embodied* by social agents and transmitted through their habitus; thus, not distinguishable from social practice as such – as an external constraint to some inherent human capacity. The institutionalized effects of habitus in regulating resource allocation are, moreover,

⁹ Structure in here meaning the arrangements in society that emerge from and condition human behaviour (e.g., family, religion, law, mode of production, political power, etc.).

mediated by the objective conditions they are placed in, both conditions in the larger political economy and those lying within a social domain as an autonomous microcosm or, as called by Bourdieu, a “social field” (Bourdieu, 1992; Bourdieu and Wacquant, 1992).

As one effect of habitus’ function, the professional information that is serviceable by habitus is often a product of the objective social condition of habitus’ production. To wit, why a herdsman in a distant Afghan village ‘chooses’ (assuming his agency as the main determinant) to become a herdsman and not an atomic scientist is due to his habitus’ effect that accommodates the available information regarding the set of life-chances in his surrounding, including the choice of profession in which the latter might not only be unavailable but *rationaly unthinkable*. From the available life-chances it seems *practically rational* for him to choose one; i.e., becoming a herdsman while becoming an atomic scientist might not constitute a *practically rational* option within his horizon of expectations¹⁰, if it crosses his mind or he is aware of this option at all¹¹. Similarly, choosing to become an investor in manufacturing sector is conditioned by the *scarcity* or *normality* (taken-for-granted commonality) of the knowledge of this sector in a society where this form of knowledge is (or isn’t) widely available to investor habitus. Assuming that the adoption of a non-intervention allocative regime constitutes a sufficient strategy to develop this or any other sector, therefore, takes inadequate account of the possibilities that habitus permits.

We will see that in the case of Kabul, the effects of habitus are seen in investments in the manufacturing sector by individuals who have had the early exposure to this form of ‘trade’ through their lived experience within the context of institutionalized practices that are more notably determined by the codes that define the family hierarchy in its interaction with religious injunctions. This has contributed to this sector not showing the signs of having obtained a structurally significant role in the economy, reflecting the fact that such a socially-contingent exposure to ‘manufacturing’ as a possible professional life-chance remains scarce in

¹⁰ The adaptation of individual expectation to the possibilities in the environment (reflected also in what forms of professions they choose), is witnessed in some ways in Amartya Sen’s criticism of Benthamite or choice-based utilitarianism (Sen, 2000: 62), though without the epistemological purpose it will be employed here – as in, the effects of this adaptation on the development of an economic sector does not form the main purpose of its use by Sen (see Sen, 2000 for detail).

¹¹ This excludes rare exceptions and has in view a general social pattern.

Afghanistan's economy where the role of this sector has traditionally been negligible (or managed by the state) – also considering the many decades of war that has disrupted licit economic life.

From a non-material standpoint (i.e., relations of production), a policy of non-intervention in objective reality in the case of Kabul (2002-2018) has meant the 'opening' of the domain of production to individuals whose habitus is conditioned by existing objective hierarchies of power in society. Leaving a social terrain 'open' has led to a relatively unbridled transmission of unequal hierarchies of power from one social domain to another. The findings in this research suggest a relatively homologous reproduction of the dominant hierarchy of decision-making in the family structure (top-down patriarchal) in the governance structure of manufacturing units. If internal hierarchy is necessary for the extraction of surplus value "in the production process" in a capitalist firm (Screpanti, 1999), studying the *cultural form* of this hierarchy helps explain to what extent it operates to allow for unhindered reproduction of unequal power hierarchies. A task the research has intended to achieve by looking into the non-material aspect of manufacturing activities in addition and inherent to their material dimension.

The study period under focus in Kabul coincides with the military invasion of Afghanistan by a United States (US) led military coalition in October 2001, which continues to this day officially under the leadership of the North Atlantic Treaty Organization (NATO). The invasion was in reaction to the string of attacks on US soil on September 11, 2001 linked to individuals affiliated to the Al-Qaeda organization, a Muslim militant group whose leadership at the time, including its founder and principal leader, was based in Afghanistan. The group was hosted by the Taliban, another Muslim militant group that seized Kabul in late September 1996, its forces having overrun most of Afghanistan's territory by September 11, 2001 (see Rashid, 2010 for a history of the Taliban).

The US-led military coalition came to the aid of the Islamic United Front for the Salvation of Afghanistan (also known as the 'Northern Alliance'), a coalition of Afghan politico-militant parties that had until then been fighting what they referred to as a war of resistance against the Taliban's complete take-over of Afghanistan

mainly around its strongholds in Central and North-eastern Afghanistan. The two coalitions jointly forced the Taliban out of Afghanistan's major provinces before the end of 2001. Subsequent events set in motion by an agreement in an international conference on Afghanistan in December 2001 in Bonn, Germany, involving Afghan and non-Afghan stakeholders, ushered in a series of changes in the country's politics, culture and economy. However, by late 2002 (Smith, 2011) the Taliban resurfaced as an insurgency (see Guistozzi, 2009 for post-2002 transformation of the Taliban) and have pursued a militant opposition against the US-led coalition and the armed forces of the post-2001 United Nations (UN)-recognized government of Afghanistan ('government' hereafter).

In parallel to continued insurgency as a determinant of Afghanistan's political economy during the study period (determinant '1' hereafter), which has intensified since 2002¹² and now includes groups other than the Taliban, the country has undergone an attempt at rebuilding its governance institutions in a process overlapping state and nation-building mandates ('project' for short – the thesis will not be dealing with these concepts hereafter; however, for a discussion on 'nation-building' and 'state-building' in post-conflict contexts see Von Bogdandy et al., 2005; Rubin, 2006; for a sociological distinction between these concepts see Lemay-Hébert, 2009; for the history of 'state-building' as a concept see Berger, 2006). The project's general orientation was formulated, from the vantage point of its earlier stages, as a 'post-conflict'¹³ reconstruction mission.

Concerning its various aspects and not always in concert with each other, the actors spearheading the project has included the US government, primarily the US Department of Defence (DOD) and US Agency for International Development (USAID), Washington, D.C.-based IFIs (foremost among them The World Bank and International Monetary Fund or IMF), the UN system, regional development banks (notably the Manila-based Asian Development Bank), major multi-lateral development agencies of member states of the European Union, national and

¹² Afghanistan's status was changed from "post-conflict" to "actively in conflict" by the UN in 2017. The country ranks consistently among 'High Alert' countries in the recent Fund for Peace Fragile State Index reports (Fund for Peace Fragile State Index 2014, 2015, 2016, 2017, 2018, 2019, 2020). According to the Institute for Economics and Peace 2019 Global Peace Index, Afghanistan replaced Syria as the least peaceful country in the world (Institute for Economics and Peace, 2019).

¹³ It should be reminded that in early post-2001 years, the Taliban's formidable resurgence was still an event in future.

international non-governmental organizations (NGOs) and countries in Afghanistan's regional neighbourhood¹⁴. The bureaucratic agencies of the newly created Afghan government have also assumed their role with time and growing implementation capacity. Due to the US government's reluctance to engage in 'nation-building' and the UN's extensive pre-2001 connections with Afghanistan, the latter assumed the project's leadership most significantly in its initial stages (Smith, 2011). The country represented the first experiment in implementing the important Brahimi Report's recommendations for UN peacebuilding missions led by Lakhdar Brahimi himself as the head of the UN Security Council mandated 'United Nations Assistance Mission in Afghanistan' (UNAMA) (Rubin, 2006).

Narrowing the focus to the area of economic policy, out of the above main actors, the IFIs have led the formulation of an economic model intended for the establishment of an *enabling environment* for private sector investments as its main tenet (determinant '2' hereafter). A policy that has also involved the liberalization of trade and exchange rates, privatization, and liquidation of state assets, and 'macro-economic stability' (see Ames et al., 2001 for IMF's definition of this term). The EEA policy was enshrined in article 10 of the post-2001 Afghanistan Constitution that came to force in 2004, stating that "the state shall encourage, protect as well as ensure the safety of capital investment and private enterprises in accordance with the provisions of the law and market economy" (see Rubin, 2004 and Smith, 2011 for a general discussion on the 2004 Afghanistan Constitution). To offer a synoptic summary of the study context's political economy insofar as relevant to Kabul's manufacturing sector during the period 2002-2018, it has been shaped by the above two determinants as its preeminent backdrop; i.e., the ongoing militant insurgency and the market-oriented EEA.

These two do not exhaust the list of other potential and actual determinants of the political economy of Kabul and Afghanistan in general during 2002-2018. However, focusing on these two are for reasons of method, as they are integral parts of the analysis considering that they *mediate* manufacturing activities as a social field (together with conditions lying within this sector). It is through a regular

¹⁴Commonality of purpose among these actors did not mean absence of "divisions, rivalries and fragmentations" among its implementors (Rubin, 2006).

encounter with this field that manufacturing sector in Kabul (2002-2018) is configured the way it is, the former functioning as a continuous backdrop to most activities in Afghanistan during the study period, including manufacturing activities, and the latter directly shaping how resource allocation is managed in the economy. The term ‘conflict-affected market economy’ encapsulates this political economy milieu.

From the two determinants, the factors that have directly sustained the first determinant (continued insurgency) have lied largely beyond the will and control of the above set of actors. The second determinant, conversely, is the product of conscious policy deliberation. A choice between alternative strategies for economic resource allocation was made in the immediate aftermath of the ouster of the Taliban regime, and enshrined in law, which makes this policy choice liable for a critical study of this kind after it has been in place for nearly two decades – albeit focused in one economic sector and in Afghanistan’s capital and largest city by population, Kabul (2002-2018).

Chapter 2 in the thesis builds the theoretical foundations from which World Bank EEA policy has been drawn. This is done through a review of secondary data, including a section on the history of the development of EEA as a policy concept from the early 1990s and its coherent conceptualization by the World Bank in its annual ‘World Development Reports’ thereon. Chapter 3, building on this and a critical engagement with the idea of ‘institutions’ in NIE and OIE, provides the definition of the concept of ‘institution’ used in the thesis. The chapter explains pertinence of the Bourdieusian framework as a conceptual lens to the study of the research topic, where workable thinking tools are developed to analyse empirical data.

Chapter 4 spells out the history of the adoption of EEA as the main strategy orienting the policy in Afghanistan during the study period, reviewing the genesis of determinant ‘2’ in a historical juncture that approximates what Ackerman (1991) has called a “constitutional moment” in a recent example in the world, i.e., a historical juncture in Afghanistan formalized by its 2004 Constitution. This chapter also includes a review of secondary data on ‘aid expenditure’ as a formidable instrument accompanying the military component of the project of ‘rebuilding’ in

post-2001 Afghanistan. As such, chapters 2 and 4 both constitute literature review while chapter 3 develops the theoretical framework of the thesis – their placement in the thesis considers the issues of flow and thematic consistency. The movement from chapter 2 to chapter 4 follows from the level of policy to the level of practice, suggesting one primary point: that the development design in Afghanistan during 2002-2018 was formulated, by exogenous forces (the actors formulating the project) along EEA.

Chapter 5 discusses the methods used for gathering data and their analysis, including the tools used to this end, the ontological and epistemological assumptions informing the thesis, the technical details, and the complications of fieldwork in the context of Kabul.

Subsequent chapters 6, 7 and 8 analyse the micro-level individual cases of manufacturing activities based on fieldwork data which the research takes as a reflection, in real terms, of what EEA entails concerning this important sector in the economy. It is in *relation* to a reality, hence, that a better understanding of what EEA signifies can be grasped in an *a posteriori* manner. This epistemological statement is primarily meant to view EEA not as an “in-and-of-itself” phenomenon that resides in an abstract sense, but in terms of its real existence that is dependent and revealed by how it has shaped tangible, empirically researchable practice.

The order of chapters 6, 7 and 8 reflect a diachronic sequence: entry into manufacturing sector, encounter with this field, strategies for continuation. The first (chapter 6) demonstrates the decision-making process that has led to ‘entry’ into manufacturing sector, where the first Research Question or RQ1 (discussed below) is dealt with, seeking the underlying structural mechanisms at work. Chapter 7 consists of two sub-sections, both suggesting the subsequent-to-entry first-hand contact and recurring encounter with the conditions of the field of production as a social microcosm. The chapter builds the salient elements of this microcosm. Finally, chapter 8 explains the adaptive strategies for ‘continuation’ of the enterprise where the question of *how* (or RQ2) is addressed. In an answer to RQ3, chapter 9 synthesizes the points raised in the analytic chapters, connecting them to the thesis argument to summarize and explain what this has meant for

manufacturing sector's *structural significance* in the economy and its effect in the form of reproducing the patriarchal family hierarchy through the effects of habitus.

1.1. Research Problem

By now, it should have become somewhat clear to the reader that EEA's implementation is intended for the establishment of 'institutions' that support private sector investments. The notion of 'institution' under this policy connotes primarily laws, regulations and guarantees for protection of property right that are "conditioned on stable, solid constitutional frameworks" (Olson as quoted by Mickiewicz, 2010: 49). The latter is to guard against arbitrariness of state executive power and provide an independent judicial system for dispute resolution, among others. According to this perspective, the character of private property is not confined to only private ownership of an asset, but also assumes the capability to access a wide array of other 'resources' (in this case, institutional resources) that are needed for investments based on private contract (Hayek as quoted by Mickiewicz, 2010: 50). This legal mechanism underlying EEA is aimed at facilitating a resource allocative regime in which 'market prices' generate order by functioning as an "unconscious coordination mechanism" without the need for "a central intelligence" (Samuelson 1967: 40-53), relaying information that is adequate for allocating society's economic resources optimally (Mises, 1990[1920]; Hayek, 1944). How this 'optimality' seems in concrete form is difficult to pinpoint or quantitatively measure. However, to Hayek (1944), leaving individuals as "free" as possible is the most appropriate way to achieve it. In this way, market functions as a homeostatic organism that self-regulates (Mises 1990[1920], see also Coase, 1937 for elaboration), where contesting forces are balanced spontaneously through competition and the end-result of allowing its free operation is the fulfilment of the private investor's wealth-maximization. As an unintended consequence, the society's welfare is also thereby augmented, most directly through employment generation and contribution to the public fund by expanding the population of tax-givers (World Bank, 2011).

In "non-Western developing countries" the weaknesses or absence of the legal aspect underpinning this system, as pointed out by Hernando De Soto (2000), is what impedes development. That is, the absence of "formal" (recognized by the

state) institutional mechanisms for converting 'things' into capital. De Soto maintains that the problem of development is not lack of capital in these countries but lack of access to legal means to convert idle assets into active assets. The poor "do have things, but they lack the process to represent their property and create capital", they have "houses but no titles; crops but not deeds; businesses but not statutes of incorporation" (De Soto, 2000: 7).

Most recently, Acemoglu and Robinson (2012) have contributed to this debate by arguing that not just any formal legal mechanism of the state supports economic "success", but the ones that ensure "inclusivity". Inclusive in their view denotes those types of formal institutions that make possible participation by all members of society in all matters of social life. The opposite of it they call "extractive", by which they mean formal institutions that, by design, limit access to certain benefits from some public goods to particular "sub-groups" in society. In their dichotomous formulation, they contrast the general categories of "inclusive state institutions" (i.e., centralized but pluralistic) versus "extractive state institutions" (non-centralized and non-pluralistic). One form of institution they point out as inclusive is a market-based allocative regime which, according to them, is premised on 'openness', that is, opportunities are by design open to everyone in such an allocative arrangement. Politics, therefore, matters as a determinant of the level of economic well-being societies tend to experience, along either inclusive or extractive. Political decisions taken in the past (centuries, that is) that have led to the emergence of different types of political institutions at present are, from this viewpoint, to account for present differences in the level of economic well-being in material terms. They advocate opting for 'good' institutions, which according to the duo, are predicated on laws that guarantee private property and a market economy.

EEA in post-2001 Afghanistan follows the above prescription, in principle and in technical detail. The policy excludes the state as a competitor in the market, thence removing the possibility of the emergence of "extractive state institutions"; while improvements in these institutions have been pursued to promote the emergence of a market-based allocative regime. At a fundamental level, this regime of resource allocation, as an ontological presupposition, is predicated on

the idea of a monolithic human ‘rationality’ based on the notion of it being informed by a uniform interest for obtaining utility maximization (Mickiewicz, 2010).

The thesis targets the epistemological presupposition underlying EEA as a policy that has come to bear on how the problem of production in a context like Kabul (2002-2018) has been managed. I contend that this principle regarding resource allocation takes little account of the *empirical* individual interest (individual human as actually existing, rather than being assumed as an *a priori*¹⁵ unit of analysis) and her/his institutionalized normative practices transmitted through habitus, a concept which Bourdieu defines as:

“A system of lasting, transposable dispositions which, integrating past experiences, functions at every moment as a matrix of perceptions, appreciations, and actions” (Bourdieu, 1971: 83)

Habitus is the ‘generative mechanism’ of social practice encompassing also human economic activity. It operates as a dynamic dispositional mechanism consisting of layers (precedent, antecedent, economic, spiritual, and so on) and scales (individual and social), that are social rather than natural, can be transferred from one domain to another, are constantly changing but have durable inertia based on originally accumulated pool of individual lived experience (shaped more decisively during early childhood), that works to *generate* endlessly differentiated *practices* that, despite being diverse, remain limited to a socially-contingent range due to the commonality of the social structures that condition habitus’ production among members of a society (Wacquant, 2016). Habitus’ effect conditions the attainment of knowledge of the objective life chances in the environment, the norms, beliefs, rules, and conventions that the society’s members embody, practice, and follow, and its subsequent *externalization* in the form of social practice that, while dependent on the conditions that produces habitus, is not limited to their exact reproduction. Closer to the research purpose, habitus also retains the knowledge of professional possibilities, setting the expectation of social members in line with what is permissible and attainable, what is not permissible

¹⁵ *A priori* knowledge is used in here to mean that which comes before experience and is logically independent of it; hence, not derived inductively through experience. In contrast, *a posteriori* (after the fact) knowledge is that which are dependent on a certain amount of experience to arrive at.

and lies beyond reach, and many options that fall outside its spectrum of expectations.

The study case is an example where knowledge of manufacturing is seen conditioned by habitus in ways that depend rarely on self-regulating ahistorical market prices, but on embodied institutionalized behaviour that is embedded in social structures.

The thesis, as its general topic of inquiry, deals with the problem of *the decision-making mechanism shaping resource allocation by private individuals and the implication of this on the development of manufacturing sector in conflict-affected market economy of Kabul (2002-2018)*. The thesis objectives are the following:

1. The study of the structuring effects of informal institutions transmitted through habitus on the decision to invest in manufacturing in the context of Kabul (2002-2018).
2. The study of the adaptive strategies for enterprise continuation considering the habitus' subsequent conditioning effect following entry into the sector; more specifically, related to the governance structure of the units.
3. Explaining the structural significance of manufacturing in Kabul this has led to, observed based on qualitative proxies derived from '1' and '2' that point to emergent tendencies in the sector.

The questions the research answers, derived from the above research objectives, are as follows:

RQ1: *What* knowledge has structured private individual decision, leading to the investment in secondary sector in Kabul during 2002-2018?

RQ2: *How* the enterprise continuation is ensured following entry and encounter with the conditions in the field of production?

RQ3: *What* form of manufacturing sector has developed as a result?

To locate the contextual social milieu of the production of individual habitus in Kabul, the research has relied on a study of the top-down patriarchal family unit in its interaction with Quranic injunctions as the most tangible representation of the prevalent religious ideology, Islam. This epistemological device is used to arrive

at active institutional elements (AIEs) conditioned by habitus. AIEs are the micro-analytic tools that explain the decision-making regarding the investment choice and its continuation. These are ‘particulars’ among a general category called institutions. In view of the fact that social space is the field for myriad norms, rules, conventions, and beliefs, not all are relevant in structuring individual behaviour for making a professional choice. The AIEs used in the research are, therefore, the ones specifically relevant as explanatory elements in the production field.

1.2. Argument

Productive resource allocation is ideally meant to lead to an expansion of its value¹⁶ relative to its original state; viz, capitalist investment. Whether carried out by private individuals or the public sector, the principle guiding this economic fact has remained largely consistent since the inception of the capitalist system. A capitalist investment, however, comes with an inherent *socially* significant dimension that is indivisible from its purely material dimension. To illustrate this point from the opposite end, whilst poverty as a symptom of material incapacity “directly undermines social security”, social insecurity, in turn, “incapacitates normal economic activity for poverty reduction” (Chun, 2018). Material growth on its own might also lead to outcomes in whom the gain might accrue to a few but can also be considered undesirable to the extent that its non-material outcome might aggravate a social injustice. In a known form in many civilizations, erstwhile or present, the presence of high levels of material achievement is often sustained by slave labour or extremely low wages. Material growth in these instances have had the inherent social component in the form of the enslaved conditions of a section of society that might have fared better if it never occurred.

Just to point out one relatively obvious outcome relevant to the case in hand, a gain skewed in favour of a few – ‘income inequality’ in common technical parlance – can lead to a situation where the (re)onset of widespread pre-2001 political violence might not represent a ‘disturbance’ to others who do not have a stake in the status quo, worse if this skewed outcome follows ethnic and group-based

¹⁶ While aware of the intricate debate on different forms of ‘value’ (see, for example, Karl Marx’s Capital volume I), I avoid it here and in the thesis generally as it does not serve the immediate purpose given the main concern in here is exchange value. I use ‘value’ as a shorthand for exchange value throughout the thesis unless another form is specified, or the term is used in a social/normative sense.

differences, privileging one group over others. Similarly, and conversely, perhaps equally consequential is an outcome that disturbs previous arrangements of social and economic power too abruptly, which might also induce application of violence to restore the previous status quo.

Most important, a productive activity ostensibly serving material expansion can reproduce unequal hierarchies of power embedded in and transmitted through social structures. This form of 'inequality' often escapes scientific measurement due often to the fact by which they retain their efficacy and remain socially relevant; that is, they are structural and socially *taken-for-granted* (a researcher, thus, being equally exposed to its effects and failing to consider them for investigation). While both income and structural forms can be categorized as forms of 'social inequality', the structural form lies at a deeper level and seldom visible to the immediate conscious awareness of the actors directly under its effects. They are also more durable given they are tied to sources of symbolic legitimacy in society that exercise an effect beyond the immediate concerns in the material world of production.

Although the analysis of income inequality is simpler as a social outcome due to its computational facility, it can mostly be done (as in relation with other concepts in research) in a *relational* sense; that is, the quantitative modelling of inequality would require, at a minimum, a comparative study of the main sectors in the economy to have a relatively comprehensive picture of the levels of inequality in manufacturing in relation to other sectors. The scale can then be shifted to other criterion of this relation (per capita national income, sex, gender, particular regions of the country, etc.). Thus, income inequality at the individual level finds meaning in a situation where person A's income is unequal compared to person B's either in a direct relationship or in relation to a third criterion which would require a separate research to formalize – something not within the scope of this research.

Moreover, study of income inequality is pertinent in a society where objective conditions make it germane to such an analysis; that is, inequality of income cannot be superposed mechanically as an essentially similar phenomenon on all societies uniformly. In many societies extant reality makes the opportunity to earn a livelihood already a rare advantage, where talk of (in)equality of income in

general terms is essentially a political preoccupation without much in the way of objective relevance – not that it should never form a social and intellectual concern but that debates regarding it is merely too soon for the society in question.

However, the socio-structural form of inequality is topical for an analysis of the social effects of material expansion in a context like Kabul (2002-2018) more so than income inequality owing to the fact that informal norm-based practice (unlike what Weber calls “formal rationality”; i.e., the law-abiding civilization) is the significant determinant of social practice. While social structures can reinforce the perpetuation of these informal institutions by transmitting them and help, among its other effects, the reproduction of structural inequalities, they can also give normative basis for the emergence of new forms of structural inequalities. One can justify this research focus even based on a concern for income inequality; that is, the structural form can result in *well-entrenched* hierarchies in the productive field and lead to “structural violence”¹⁷ that manifests as income inequality in material terms in the long run. Therefore, degrees of (non-)reproduction of unequal hierarchies of power embedded in social structures are relevant in contexts where the role of income inequality is yet too soon for analysis but that it can lead to it when the latter is made pertinent by subsequent extant conditions.

Studying material growth alone, moreover, represents a statistical datum without revealing much detail regarding the ‘qualitative’ aspects of it, much less the processes leading to it. Production viewed from the thesis’s angle is not a separate ‘autonomous’ domain operating by its own logic, inseparable from politics and culture as these are, in turn, inseparable from the dynamics in the production field.

On the other hand, judging manufacturing sector’s growth from a purely material standpoint, I do believe it represents a ‘good’ progress for Kabul’s (and by extension, Afghanistan’s) economic transformation. To support this assertion, one can refer to the history of economic development that, granted lacking in contextual specificities, reflect a wide range of historical instances where this sector has played a vital role. In the case of Afghanistan, it is also that its economy

¹⁷ Johan Galtung (1969) uses this term to mean the forms of disparity, local or general, between what is potentially possible and what is actually attained in any historical moment with the technologies and resources present for use.

has been traditionally dependent on primary sector production largely for the purpose of subsistence (World Bank, 2018). This is when large-scale commercial primary sector remains a less viable option in the country's landlocked and mountainous geography with vast swathes of arid desert in the South and Southeast. Rate of annual rainfall in the country, meanwhile, is low and has been decreasing during 1960 – 2006, a declining trend that is predicted to continue according to a United Nation's study (McSweeney et al., 2006). It has experienced periodic droughts in recent decades, affecting agricultural yield. Additionally, its contentious geopolitics and the development stage at which it is presently – a 'least developed country' according to UN classification (UN, 2014) – make it less likely to concentrate on tertiary sector as a development strategy for transition away from primary sector-dependence.

A shift in resource allocation for reducing dependence on subsistence farming that is characterized by moving from lower to higher productivity growth, might also require the increase in the role of domestic manufacturing sector – which remains an indispensable development strategy for low and middle-income countries even in the context of climate change (Zhang, 2011). Improving productivity in agricultural sector is also partly dependent on the capability of secondary sector that can use its surplus as raw material and, in turn, help in improving agricultural production techniques by supplying it with domestic capital goods, among other (Whitfield, 2012).

As Albert Hirschman (1975: 41) maintains, the main principle guiding resource allocation should be the outcome of it in terms of generating income, creating new (or expanding the existing) capacities, and acting as pacesetter for further investments. These three are relatively more present in manufacturing activities, considering that they can generate labour intensive employment, use agricultural surplus and secondary sector intermediate goods as raw material, and generate impact on downstream secondary and tertiary investments as a source of positive externalities (the external benefit a manufacturing activity generates for a third party investor in secondary or tertiary sector to exploit – see Henderson, 1994 for elaboration on externalities).

Historically, the increase in the role of secondary sector in the economy has traditionally constituted a precursor to moving toward a complex economic configuration (List, 1946; Rostow, 1960; Gerschenkron, 1962; Kuznets, 1973; Chang, 1996). Despite industrialization becoming associated to the controversial notion of ‘modernization’ as theorized by Walt Rostow (1960), a notion that has ever since been critiqued on many grounds (see Peet and Hartwick, 2015 for a review), the basic premise remains largely intact regarding secondary sector’s structurally transformative role for reducing dependence on primary sector. Not only for the immediate purpose of generating material growth but, as Kuznets (1959) puts, the “national cast” of technological advancement in a country is mediated by the “laboratory” of the industrial sector, i.e., it is in this sector where a country’s technological reach is determined, and a corresponding effort obtains to either purchase it from abroad or work on domestic research and development capacity to produce it internally. In recent cases in history, the latter line of policy was adopted by South Korea and China during the 1980s when foreign sources of technological knowledge could not be relied on (World Bank, 1999).

Primary commodities are meanwhile susceptible to frequent volatilities of prices, resulting in a less secure way of accessing foreign reserves (Chang, 2003) – the monetary instrument for establishing trade ties with consumers and sellers in other countries. They are also subject to falling ‘terms of trade’ (ratio of the value of exports over imports). This is mainly because international demand for primary products is ‘income-inelastic’ after a certain point. It increases with rising income and plateaus where immediate basic needs, such as food consumption, are fulfilled. Hence, the increase in most primary goods exports commensurate with a rise in global income beyond this threshold is not significant. Furthermore, primary production is characterized by ‘diminishing returns’; that is, the factors of production supplied by ‘nature’ (land, fisheries, mines, etc.) have a definite capacity for return. There is a point at which applying more of the other factors (labour and capital goods) is subject to diminishing returns on each additional factor used (Whitfield, 2012). In manufacturing activities, factors of production (capital, labour, technology) are comparatively more expandable, making the resultant expansion of economic capacity relatively easier to achieve.

To summarise, whilst capitalist investment is meant to increase the value of capital, the social effects inherent therein (structural inequality in this research) is important to consider. While growth in material terms can be beneficial to a country, both the material and social outcomes it can generate, based on the arguments presented above, should form the subject matter of a research – applying also to Kabul’s conflict-affected case. Moreover, it was stated that the growth of the role of manufacturing sector has, based on historical observation, led to an allocative transformation of available material resources from a dominance of primary sector to a relatively complex allocative regime which bears inherent qualities to expand the wealth of a society – which can apply to Afghanistan as well as a least developed economy that has traditionally been primary sector dependent.

However, in view of the above discussion and using qualitative proxies (discussed below), the thesis argues that *within the market-oriented EEA policy, habitus’ structuring effects in Kabul has contributed to the development of a structurally non-significant manufacturing sector that socially functions as a mechanism for reproducing the patriarchal family hierarchy of power within the field of production.*

Hence, to argue this is in a way also to call for its opposite, the ‘intervention’ approach, as a potential alternative strategy. The significance of state intervention increases the more the chances of habitus’ exposure to manufacturing can be estimated to be at a low level in any context. The intervention can adjust resource allocation to this limitation in socio-economic reality with an eye for the development of manufacturing. How this intervention should be in concrete detail is secondary to this thesis’ concern. The nature of such intervention, whether informational or material (or a combination of both), direct or indirect, can be a topic of future research (I return to this point in chapter 9, section 9.5.). Such an intervention can also target the social effects that have obtained in Kabul’s manufacturing sector in the form of reproducing the patriarchal hierarchy of power, for which future research can study the legal form that distinguishes the right-obligations structure that determines, among others, rules governing corporate governance.

1.3. Qualitative Proxies of Significance (QPS)

Due to the limitations that make a comprehensive comparative study of the Afghan economy in its entirety not feasible at present, the four indicative proxies in the thesis rely on the empirical data to deduce manufacturing sector's emergent place in the Afghan economy – when all are considered in combination. The function of these proxies is indirect, they point to a *compositional* shift in the structure of the economy based on growth in size of manufacturing sector. To draw an analogy, it is a localized viewpoint from an 'organ', examining the changing processes within it to deduce how important it might have become in the general economic 'anatomy'. Indeed, the biological evolutionary process alluded to in here takes a longer time, the social 'organization' requiring a relatively shorter timespan to evolve, the most recent example of such a change being the post-industrial revolution period in human history.

In a primitive community of hunters, one form of work predominated society's economic anatomy, thence it consisted of one main organ. This social formation became relatively complex when gathering of plants and other agrarian produce was adjoined as additional organs of the economic anatomy. Moving forward, in agrarian societies with vestiges of hunting and gathering still lurking in the margins, the anatomy of the society's economic structure (how it allocates its material resources) was and is in many societies characterized by one dominant organ, i.e., primary sector, which is relatively more complex compared to the earlier formations. The more a shift takes place toward post-agrarian manual industry and agricultural processing techniques, the more the economic anatomy becomes complex. New organs tend to grow with new functionalities. As the historical progress proceeds to the stage of collective production based on division of labour, the workshop and then manufacturing system, the intermediate sub-organs within the already existing organs proliferate and multiply. Each organ and its sub-components perform various functional tasks, are configured, and develop in ways that can, by the intrinsic properties of their functions and the relation of its configured state with those lying outside it yet visible to the researcher, reveal the place it holds in the anatomy by certain provisional indicators or proxies. Some of these proxies are used in this research to assess Kabul's manufacturing as an 'organ' in Kabul's economic 'anatomy'.

Perhaps an easier route would have been studying the distributional share of this sector in the aggregate labour force to come to a relatively accurate understanding of its size in the economy or the more commonly used index of proportional share in Gross Domestic Product (GDP). But this in Afghanistan's case can be misleading given that labour force is predominantly occupied in agricultural sector in rural areas – 82 percent of the population is estimated to live in rural areas and live by subsistence farming (World Bank, 2019) – and in retail trade and public sector in urban centres. A small shift of labour force to a new sector like manufacturing might therefore indicate a significant change in the structure of the economy.

Sectoral share in the GDP is even more difficult to rely on given the scarcity of adequate statistical data in the context¹⁸. Nonetheless, the estimated share of industry in GDP stood somewhere between 0 to 1 percent in 2017 according to a World Bank country report (2018). However, numeric data does not reveal qualitative shifts. For instance, in an extreme scenario, a large manufacturing share in the GDP might all be in the form of foreign direct investments in tax free zones without having spill-over effects on the rest of the economy (e.g., employment generation, local content, etc.), in which case, the host country will, on balance, lose out in the form of environmental degradation despite the rise in GDP. Alternatively, the sector might have developed because of an increase in purchasing power due to inflow of unprecedented financial aid without having developed structural ties with the rest of the economy (more the case in Afghanistan).

On the other hand, the qualitative proxies of significance (QPS) in the research – in a qualitative/compositional sense as was analogically suggested by comparison to an organism in an anatomy – deduce *tendencies* suggesting manufacturing sector's growth in Kabul's economy. As such, the exact statistical measures of these signs are less the focus so much as their mere genesis is – this genesis explained in here through an analysis of the empirical data regarding the three RQs. Empirical signs of the birth of an organ in an economic anatomy (e.g.,

¹⁸ To illustrate, the country still relies on estimates of its population (see NSIA, 2019) and has not conducted a survey to gather even this elementary economic data.

manufacturing) can show whether it has (or not) become *structurally* significant owing to its growing size; that is, whether it determines the way the anatomy functions by it gradually becoming an undeniable objective reality, attracting resources toward itself and growing sub-units within. Bearing in mind that the QPSs help the analysis get to a conclusion that concerns the economic anatomy based on data about one sector, they are deductive in their method of inference. They are also derived from the empirical analysis and are, therefore, not universally applicable where the objective conditions differ. The four QPSs I have identified in Kabul include:

1. **Horizontal mobility of capital:** The first QPS shows the movement of financial capital into and within Kabul's secondary sector. This movement reveals a shift in the overall structure of the economy as a result of a growth in size of manufacturing. In the sense that, the sector becomes significantly important as an objective reality that the knowledge regarding its presence can structure individual habitus beyond those who are already investors or are seen to have been exposed to it through their lived experience. One important sign of this shift in the economy is flow of capital into manufacturing activities from sources *other* than the manufacturing investors' personal and familial wealth or borrowings made possible through social relationship. This flow can take many forms, including credit from commercial banks, joint funds, and other investment institutions, domestic and foreign. Within the sector, horizontal capital mobility refers to the extent physical assets are amenable for liquidation to some degree for re-allocation either inside the sector in other investments or for exit from the sector. This property suggests growth in size because it requires the emergence of capital goods market (i.e., market for all the tools, parts, and machines that are purchased by manufacturing companies), the latter, in turn, becoming a possibility when adequate demand makes it necessary. Such a market permits for purchase and sale of physical investment assets; hence, permitting liquidation of physical assets to some degree for the capital invested in them to get re-allocated as investments in another activity within or without the secondary sector. These twofold movements, inflow of financial capital and re-allocation or exit following entry, are used as one QPS in conjunction with others to deduce the emergent size of the productive activities in Kabul's context.

2. **Inter-sectoral vertical expansion:** The second proxy focuses on the property of growing inter-sectoral or inter-industrial demand as an inducement for investments in manufacturing. This I call *vertical sectoral expansion* which indicates the size of manufacturing sector through division of labour based on specialization inside the secondary sector. In practice, this takes place through backward and forward linkages, i.e., new production units established to use existing domestic goods as input, or to produce intermediate goods for units already present in the sector and others who might prospectively make an entry into it (see Hirschman, 1969 for more detail). This property points to whether particular industries have grown enough that new units are established to produce intermediary goods for them or whether industrial sector has become sophisticated enough to use domestic finished goods as intermediate commodities.

3. **Impersonal exchange:** This proxy shows a tendency of an increase in the size of an industry within manufacturing sector in the sense that person-to-person negotiated transactions for each commodity of this industry would begin to incur more costs and become more time-consuming given the increasing frequency of sales. Meanwhile, a gradual shift away from order-based production to pre-order production and supply follows a similar logic; i.e., negotiating orders for each separate item begins to incur a higher time and financial cost owing to an increase in numbers.

4. **Bureaucratic governance structure:** The development of bureaucracy within the unit, with sub-units in-charge of specialized duties and decision-making – is a shift away from personalistic structure of governance. This criterion demonstrates size of units in the study based on the rationale that with gradual increase in the volume of operations, specialized sub-units begin to handle internal routine duties of the production unit¹⁹ (e.g., financial management, human resource management, marketing, quality control, production monitoring, public relations, and logistical coordination). A single individual in such a setting would be incapable to maintain physical propinquity and

¹⁹ I will use this to refer to a single self-sustaining production site, forming a single entity or one out of many entities comprising a 'company' or corporation.

supervision on the totality of the production process due to physical constraints, among other reasons. A personalistic governance reduces gradually in its range with a rise in the number and scale of activities, consequently leading to a more sophisticated inter-unit bureaucracy.

1.4. Research Significance

Critical examination of the EEA allocative regime in Kabul related to the development of manufacturing sector, with analytic depth concerning the study period (i.e., more than generic reports by IFIs, government agencies and NGOs), has not been undertaken to my knowledge. This is where the thesis aims to contribute, particularly concerning the debate on the adoption of non-intervention regime for resource allocation in a context like Kabul (2002-2018); albeit regarding how it has played out in one area in the economy. I approach the thesis topic with a developmental concern in mind with the belief, echoing Bourdieu (1984, preface to the English edition), that a study of the “singularity of an object” does not preclude the “ambition of drawing out universal propositions”. Among the multiplicity of variables that can condition and produce diversity in objective experience in different places, one can find *invariable* commonalities that I believe are useful as guides if not guidelines for current and future research and policy.

Moreover, the study’s epistemological approach – the application of Bourdieu’s habitus, field, forms of ‘capital’ – in the context of manufacturing activities in Kabul can contribute to debates on *institutionalized* human ‘rational’ practice in a context that has not been investigated with this theoretical lens. The mode of exposition considers the particularities of one case in the context of a debate – market-oriented economic policy – that can be relevant to other such cases at present and in future.

I would point out another theoretical concern that though demonstrative of the research significance is not urgently treated here, which is that political violence in Afghanistan has proceeded in tandem with EEA’s implementation during the study period. The case is a curious one where macro-level orientation of economic policy has remained consistent regardless of and without being responsive to Afghanistan’s political reality. Such a ‘sectoral’ delineation to some extent reflects

the now strictly followed boundaries set for the domains of 'politics' and 'economics' in social sciences; i.e., it is partly a product of the bifurcation in the legitimate (i.e., accepted by the academic orthodoxy) subject matters and concerns of political science and economics as two separate domains of social science concerning how it has shaped an objective outcome. The mutual exclusivity of these branches without much constructive dialogue between them; i.e., security conditions not having an impact on economic policy to impel flexibility, change and readjustments in the developmental approach of the US-led state building project in Afghanistan, is an example of how seemingly benign academic knowledge production can have tangible impact on social reality. The assigned world of politics in Afghanistan containing, among others, a set of newly built state institutions and an active insurgency, and the assigned world of economics containing, inter alia, the expenditure of development aid and private sector promotion, have proceeded in silos – in the fundamentals of the principles followed, if not in the small details of routine implementation in which the indivisibility of the subject matters of politics and economics is largely unavoidable. Much of the subsequent discussion of the politics and economy of post-2001 Afghanistan has followed this bifurcation. For instance, a terrorist attack might have spurred debate concerning its harm to people's livelihoods and a slowdown in retail sector. But this debate usually does not enter the realm of fundamentals to reassess the economic policy to adapt it to a security condition marked by recurring terrorist attacks and other such incidents – where reliance on 'market prices' to guide resource allocation appears but blinkered and dogmatic. The thesis adopts a 'political economy' lens instead.

The country also represents a 'blank slate' experiment in market-oriented state institution building, witnessing a comprehensive approach at creating the juridical institutions of the state to meet the requirements of market-based allocation and open exchange that I have called the enabling environment approach (i.e., EEA). EEA holds little, if any, commonality with the politico-juridical regimes preceding it in Afghanistan. It represents a large-scale push for a capitalist transformation of Afghanistan's economy, making it an interesting instance to investigate how this transformation – designed and implemented mostly and in its 'constitutional' phase exogenously – has transpired on the ground.

Lastly, concerning the choice of sector, manufacturing in addition to its developmental value, is one important object of research for detecting transformations in a pre-industrial society toward attaining a relatively complex social formation based on modern industry (see Callinicos, 2012 for elaboration). Examination of this mode of subsistence illuminates other aspects of the context's society directly related or indirectly interconnected with it, in some way also shedding light on the stage at which economic development finds itself in Afghanistan. The study of manufacturing activities derives its importance, hence, as an *entry point* to deduce relevance of other areas of study – albeit for future research – often beyond merely an explanation of the subject-matter itself. Some of the areas for future research will be enumerated in the thesis conclusion.

1.5. Note on Geographic Focus

Kabul province, in addition to being Afghanistan's capital and largest city by population²⁰, has witnessed the highest number of private business registrations – 54 percent of the aggregate country figure – during the study period²¹ based on Afghanistan Central Business Registry & Intellectual Property (ACBR-IP)²²²³ (see Figure-11 in the appendix). Business registration indicates geographic location because ACBR-IP offices in Kabul and the other 21 provinces (of the country's 34 provinces) issue license only if the business falls under their geographic responsibility. I should remind that all the businesses registered in Kabul are not necessarily active and the data should be treated as an accumulated number of licenses issued in the post-2001 period.

Although business closure requires ACBR-IP's approval, data regarding these closures is not regularly recorded (only one person had access to the registrations data base – see chapter 5 section 5.4. for detail). Even then, Kabul outstrips other provinces next in line in the percentage of business licenses to warrant the suggestion that it has attracted the overwhelming share of private investments in

²⁰ Kabul's population was approximately 5 million in 2019 based on a government estimate (NSIA, 2019). The provinces next in line were Herat (2.1 million), Nangarhar (1.7 million), Balkh (1.5 million) and Helmand (1.4 million).

²¹ Provinces next in line are Herat, Kandahar, Nangahar, Nimruz and Balkh, responsible for 10 percent, 8 percent, 6 percent, 6 percent and 5 percent of private business registrations respectively.

²² Accessed by me on 13 March 2018.

²³ A bureau under the Afghan Ministry of Commerce and Industry (MoIC).

Afghanistan during 2002-18. In view of this, Kabul's manufacturing sector also reflects the relatively ideal of the 'possible conditions' in the country, which can also indirectly tell about other lesser conducive conditions in other provinces.

To return to the two political economy determinants, the economy of Kabul, meanwhile, has been shaped by the anti-government militant insurgency and the market-oriented model. Considering that all of Afghanistan has not been affected by the insurgency in the same way, in Kabul's case, this has been seen mostly through ground engagements between anti-government militants and government security forces, improvised explosive devices (IEDs), suicide and complex attacks²⁴. In reports by the United Nations Assistance Mission for Afghanistan (UNAMA) on civilian casualties in armed conflict in Afghanistan in recent years – 2016, 2017, 2018 and 2019 – Kabul consistently figures as the most affected city compared to other provinces in the country (UNAMA 2016; 2017; 2018; 2019). The city, as it cannot stand as an anomaly from the rest of Afghanistan²⁵, follows market-oriented EEA model, making it a 'conflict-affected market economy'.

1.6. Reason for Focusing on Private Sector Investments

Prior to the study period, manufacturing activities in Afghanistan using modern machinery were mostly state-owned, state-run or if any private sector investments existed, they were not registered – were run informally at least according to official business registration data. According to an Afghanistan Ministry of Finance (MoF) report shared with me, a total of 76 public enterprises and corporations existed in Afghanistan in the pre-2001 period (mostly active prior to the early 1990s onset of civil war), out of which 64 public enterprises covering primary, secondary and tertiary sectors had survived this period in early 2002. Of these, 3 were privatized and 23 were liquidated in 2005. According to a 2013 IMF advisory note to the Afghan government, at the time 30 state-owned enterprises (SOEs), 13 state-owned corporations (SOCs) and 20 inactive state-owned entities existed in the country. The SOEs are entirely owned by the state and the state's share in SOCs range between 20-100 percent. The share of SOEs in GDP stood at 0.6 percent

²⁴ Involving a combination of suicide attack or IED explosion parallel to, preceded by or followed by ground engagement by anti-government militant groups.

²⁵ The post-2001 political system in Afghanistan is a unitary centralized presidential system (Malikyar and Rubin, 2002). Provinces, including its capital Kabul, follow the policies and regulations that are set by the central government without any juridical exceptions regarding specific territories.

based on the same report. Secondary sector enterprises were all among the inactive entities, relying on renting out their assets (mainly land and buildings) for the revenue they report to the MoF. These entities never resumed their activities during the study period, 2002-2018. A research on manufacturing activities in Kabul covering 2002-2018, therefore, have only private sector investments as the objective ground for empirical data.

Disaggregated data shows manufacturing licenses issued in the post-2001 period numbered at 5646 by March 13, 2018 when I accessed the ACBR-IP registry records. Among these, 2250 (39.9 percent) were registered in Kabul. Of the 2250 registered in Kabul, only 44 have done so between 1970²⁶ through 2001. Hence, 98.0 percent of private investments in manufacturing have been registered in the post-2001 period. This fact supports the thesis premise, to the effect that knowledge of manufacturing as a professional possibility was mostly limited to SOEs and SOCs prior to 2001 and largely did not exist as a private sector professional possibility.

²⁶ This is the year the ACBR-IP data begins.

Chapter 2. Literature Review: New Institutional Economics (NIE)

To understand what the World Bank means by market institutions, it is important to delve deeper into North's and some other important work in NIE to come to grips with the analytical 'institution' in this tradition to find, more urgently, two things: a) the theoretical point of departure in this tradition, b) the underlying ontological assumptions. How the analytic concept of 'institution' takes shape, what it says and what it excludes, and its application in research and policy has a lot to do with the above two elements. This is not a comprehensive review of all there is that is associated to and apply an NIE framework, and only deals with the above two elements insofar as discussed in some theoretically significant NIE literature (some commonality is assumed in these core assumptions among thinkers associated to this tradition otherwise it wouldn't be a tradition). The effort in here is, therefore, to go some way in gleaning core theoretical-epistemological principles in NIE. This review plays another important role: to help develop a theoretical framework that builds on the critique in this chapter.

The NIE research paradigm – with the attendant effects of a paradigm on research (see Kuhn, 1960) – is to a good extent delineated in broad terms by the following quote:

“The neoclassical result of efficient markets only obtains when it is costless to transact. When it is costly to transact, institutions matter. And because a large part of our national income is devoted to transacting, institutions and specifically property rights are crucial determinants of the efficiency of markets... How does this new institutional approach fit in with neo-classical theory? It begins with the scarcity hence competition postulate; it views economics as a theory of choice subject to constraints; it employs price theory as an essential part of the analysis of institutions; and it sees changes in relative prices as a major force inducing change in institutions.” (North, 1993).

The origins of investigating 'transaction costs' can be found in OIE, more specifically John R. Commons' work (Rutherford, 1994). However, the adoption of this analytic tool in NIE is often traced back to Ronald Coase's essay *The Nature*

of the Firm (1937)²⁷, in which the issue of resource coordination within the hierarchy of a firm is debated as a shortcoming in rational choice-based economic theory ('rational choice economics' or RCE hereafter)²⁸. To Coase, assuming away intra-firm coordination eschewing the price mechanism and the assumption of frictionless inter-firm exchange are inadmissible. Both the issue of deliberate coordination within the firm and the intermedial relationships that are formed between persons and a firm or between different firms are absent in RCE, the transactions among these agents and firms assumed as instantaneous and taking place in a 'frictionless' environment.

Coase argued that on the supply side purchase of factors of production requires "contracts" for each separate deal, which results in legal and time costs incurred by the "entrepreneur" (i.e., purchaser). This cost is reduced by establishing a contract with the supplier of a factor of production (most often labour) which creates a "firm" between the entrepreneur and a multitude of such factors – the *raison d'être* of a firm according to him. Subsequent allocation of these *contracted* factors is managed based on the conscious "control" and planning of the entrepreneur. Another essay by Coase, *The Problem of Social Cost* (1960), treated the problem of law and the property rights structure, as well as their relationship to market exchange. Here, Coase proposed the priority of the optimality of the allocative decision – the increase in the aggregate utility – as an appropriate basis for legally appraising social costs such as externalities. These two essays are often cited as foundational texts for NIE (e.g., by North, 1990, 1993). The wider research area associated to NIE has evolved thereby concerning market transaction costs that are mediated by "informal"²⁹ (sanctions, taboos, customs, traditions, and codes of conduct)" and "formal (constitutions, laws, property rights)" institutions (North 1991). Some of the areas of inquiry in this tradition include the institutional variation across historical experience of different nations as a way to explain higher or lower levels of currently experienced material prosperity (see North 1991, 1990, Acemoglu et al., 2001), legal-representational requirements of capitalist development (De Soto, 2000), the hierarchy-market

²⁷ Coase himself claims as much in an essay he wrote in 1998 (see Coase, 1998).

²⁸ A more detailed explanation of the ontological and epistemological assumptions of this tradition is provided below.

²⁹ I will use "formal" and "informal" inside quotation marks to follow this categorization until where I introduce other terms in the thesis as alternatives in the conceptual framework.

combination in resource allocation (Williamson, 1973), problems associated with collective action (Ostrom, 1998; a seminal pre-NIE text but contributing to it on this topic is Mancur Olson's 1960 book *The Logic of Collective Action*; see also Putnam 1993), common pool resource management (see Ostrom, 2005, 2007 for a summary of her work), and macro-level institutional pre-requisites for transforming an economy heavily dominated by state-owned enterprises to a one governed by market-based allocation (Mickiewicz, 2010). In this context, the 'right' set of institutions for bridging the gap between the "developed" and "undeveloped" parts of the world forms NIE's main contribution to economic development (Shirley, 2005).

The idea of "contract" and rule-based practice is *sine qua non* to the genesis of the idea of institutions in this tradition, propelling the formation of a semantic trajectory for this concept that understands it as "humanly devised constraints that structure political, economic and social interactions" (North, 1991). According to Williamson (2005), the distinguishing feature of NIE is its adoption of exchange *contracts* as its theoretical lens rather than prices, output, and choice (Williamson, 2005).

"Calculative approach" in NIE's epistemology (Williamson, 1993, 2000) approaches rational choice theory in assuming human social practice as informed by innate self-seeking utility maximization, but with two modifications (Menard and Shirley, 2005): human rationality is 'bounded' and the information available to her/him is incomplete, an idea first introduced into rational choice theory by Herbert Simon. Simon attempted at a reevaluation of the assumption of "complete" knowledge of preferences of the "economic man" (the man he thought was too good to be true). By placing her/him in the "environment of choice" he argued that because of the "psychological limits of the [human] organism", human rationality in how it really manifests is an "extremely crude and simplified approximation" of the kind of universal rationality that is usually attributed to him/her by rational choice theory (Simon, 1955). Because of bounded rationality and incomplete information, humans face uncertainty and to reduce it, they establish institutions for which they pay a transaction cost (Menard and Shirley, 2005). Investigating institutions, therefore, helps in some way the effort to investigate levels of existing transaction costs in a society affecting productivity. This thinking orients the main

'level of analysis' of NIE as put by Williamson in his important paper *The New Institutional Economics: Taking Stock, Looking Ahead*. Williamson divides the 'levels of analysis' in the study of resource allocative regimes into four:

“Level 1. Norms, customs, mores, religion, traditions, etc.

Level 2. Institutional environment: formal rules of the game – esp. property (polity, judiciary, bureaucracy)

Level 3. Governance: play of the game – esp. contract (aligning governance structures with transactions)

Level 4. Resource allocation and employment (prices and quantities; incentive alignment)” (Williamson, 2000)

He contends that level 1 (the “social embeddedness level” according to him), although studied by some economic historians and social scientists, is assumed as “given” in NIE by taking human behavioural disposition as ‘boundedly rational’. Level 1 institutions are “shadows of the past” that constrain “executive, legislative, judicial, and bureaucratic functions of government”. NIE, at least according to how Williamson might prefer, is principally concerned with levels 2 and 3. In policy terms, the World Bank *World Development Report 1997: The State in a Changing World* encapsulates this thinking concerning institutions in the following passage:

“...rules of the game that facilitate entry and competition, and a complementary institutional, legal and regulatory framework that undergird property rights and markets...” (Chhibber et al., 1997)

The legal approach undergirding the above statement had already flourished as part of a research project during the 1960s (Williamson, 2000), put succinctly by Coase that “a private enterprise system cannot function properly unless property rights are created in resources,” by which “...chaos disappears; and so does the government except that a legal system to define property rights and arbitrate disputes is, of course, necessary” (Coase, 1959). Once property rights are assured, the task of resource allocation is handled by self-regulating “marvel” of markets, as Williamson puts it (2000), in an allusion to Hayek’s notion of price signals (1945). As was pointed out in chapter 1 section 1.1., for the markets to come about, it is suggested that state governance institutions be “conditioned on stable, solid constitutional frameworks” (Olson as quoted by Mickiewicz, 2010: 49), acting as constraints on the executive branch arbitrariness.

In developing country contexts, Mary Shirley proposes two sets of institutions that support “market economy” through, firstly, fostering “exchange by lowering transaction costs and encouraging trust” and, secondly, by influencing the “state and other powerful actors to protect private property and persons rather than expropriate and subjugate them.” The first set consists of “contracts and contract enforcement mechanisms, commercial norms and rules, and habits and beliefs favouring shared values and accumulation of human capital.” The second set consists of “constitutions, electoral rules, laws governing speech and education, and norms that motivate people to abide by laws and cooperate in monitoring government” (Shirley, 2005).

Seeing a correlation between law and capitalist development can be traced back to the ideas of Max Weber (Rajagopal, 2008), in whose sociology of law the relationship between the development of the capitalist system and a “formal rational administration of justice” in the legal order can be witnessed (Weber as quoted in Ewing, 1987). Conversely, reversing the law-to-capitalism sequence in Weber’s thought, one school of political philosophy in the latter half of the 20th century promulgated mainly by Robert Nozick and James Buchanan, saw the emergence of the state and its legal apparatus, instead, as a market-like contractual solution to provide the public good of law and order (Chang, 2002). There also emerged a school of “economic analysis of law” (or Law and Economics) in the Chicago School of Economics, inspired by Ronald Coase’s 1960 aforementioned essay, which applied (and continues to do) analytical tools derived from rational choice economics to study laws based on their (un)suitability to “economic efficiency” (see Friedman, 1987 for an example of this thinking). As put by Coase himself (2005), this academic attempt is meant to study ways of re-assigning (or making a transfer within) the rights system based on a legal framework that formulates and enforces property rights in ways that rights are granted to those who can make more “productive” uses of them.

The relationship between law and capitalist development is given a cogent support by Hernando De Soto’s *The Mystery of Capital* (2000). De Soto argues that “property rights” are not the physical assets themselves but the manifestation of a communal consensus that, once formalized in written codes, makes buying and

selling of these assets easy and fungible (mutually interchangeable without exactly comparing the physical specificities of the assets regarding how they appear objectively). This he refers to as a collectively agreed upon “representation system” recognized by law:

“...it is law that detaches and fixes the economic potentials of assets as a value separate from the material assets themselves and allows humans to discover and realize that potential. It is law that connects assets into financial and investment circuits. And it is representation of assets fixed in legal property documents that gives them the powers to create surplus value.” (De Soto, 2000: 234)

Legal reforms based on political action do not work in developing countries, argues De Soto (2000: 181), because top-down “mandatory laws” do not take into account communal “social contracts”. His belief is that the real challenge for development along a capitalist model (which he extols as the “only game in town”) is to bring all “scattered” legal systems under one common system of representation.

The other important component of NIE’s epistemology (perhaps most relevant to the thesis policy contribution, see chapter 9, section 9.3.) is a historical analysis of institutional change characterized by taking “path dependency” as a recurring ‘epistemological-methodological framework’ (see Schuurman, 2003 for a critical review). Path dependency shifts the methodological plain from immediate differences to past decisions in an attempt to explain current material differences among nations based on the effects of these decisions (see North, 1991; Putnam, 1993; North, 2005; Shirley, 2005 and Acemoglu and Robinson, 2012). North (2005) locates the source of path dependence in the “belief systems” of political and economic “entrepreneurs” in shaping an institutional trajectory in an *original act* in a society’s history, taken in important moments where choices for creating the elaborate structure of norms, conventions, rules, and beliefs embodied in constitutions, property rights, and informal constraints are made, which tend to “shape economic performance”. Subsequent choices made by political and economic “entrepreneurs” tend to abide by the immediate limitations of technology and income but also, it is believed (North, 1990, 2005), by the limits imposed by the original institutional “scaffolding”.

Adoption of path dependency is also partly the reason for why important literature within NIE framework show a preoccupation with political institutions. According to North (1990), political institutions are one important area of research for NIE considering that their performance for the protection of private property and enforcement of contracts, among others, affects transaction costs. North suggests that a state's enforcement of property rights and non-arbitrary legal framework is among the reasons why some past societies have experienced higher levels of trade and productivity. However, as per Menard and Shirley in the introduction to the *Handbook of the New Institutional Economics* (2005), one central question for NIE research is whether a state might also grow too powerful to also attempt at expropriating private property and undertake other such arbitrary interventions. Thus, investigating the “balance” between a state that is powerful enough to guarantee property rights and contract enforcement while remaining sufficiently minimal (confined to public goods provision) to decrease the chances of expropriation and other such arbitrary acts, constitutes one major debate and an intellectual contribution of NIE to development theory, according to the duo.

The book *Why Nations Fail* by Acemoglu and Robinson (2012) combines *path dependency* and the *right institutional 'balance'* in a comparative study of the United States and Mexico as examples of what the authors call “success” and “failure” respectively, tracing the origin of their differential status mostly in the distinction between the spirit of legalism predominant in late medieval Britain and top-down authoritarianism of the Spanish crown whence they were respectively conquered. Their main policy contribution highlights the role of institutions that ensure “inclusivity” – the type that by design extends opportunities³⁰ for all members of society in all walks of social life, which leads to ‘success’ in the long-run. To the opposite lies “extractive institutions” (associated to failure) which by design limit access to common goods to a few in society. Adoption in the past of any of the above form of institutional model(s) are said to underpin present differences in economic well-being in different societies. To enforce “good” institutions are therefore predicated on laws that guarantee private property and a market economy which are said to form inclusive institutions. As a political economy model, the authors advocate “inclusive state institutions” which are

³⁰ Not provide *guarantee* for participation through active empowerment which is a radically different approach.

centralized in its legal-jurisdictional aspect but pluralistic in regard to the beneficiaries of public goods, versus “extractive state institutions” which are neither centralized nor pluralistic.

As an epistemological note connected to the above notion, North places the “evolution” of political and economic institutions as the central issue of economic history and development (1990: 21, 1991, 2005), pointing out the utility of “evolutionary biology” than static models in physics to understand economic processes. He posits that a combination of inheritance of traditions, variation through mis-adaptation (when learning traditions), rational thinking, and imitation are significant elements within the socioeconomic evolutionary model (1990:19–21). With one proviso that in biological models of evolution the “selection mechanisms” are not informed by “beliefs about the eventual consequences of choices or decisions.” Whereas in economics, the process of institutional evolution should be seen as guided by perceptions of the players with the “intent of producing outcomes downstream that will reduce the uncertainty of the organizations’ – political, economic, and social – pursuit of their goals.” All institutional change, formal and informal, is therefore a “deliberate process” (North, 2005). “Incremental change comes from the perceptions of the entrepreneurs in political and economic organizations that they could do better by altering the existing institutional framework at some margin” (1990: 7). The immediate vehicle (i.e., incentive) why institutional change takes place for humans engaged in the process is to improve their odds in a competitive field. The immediate objective of the organizations engaged in the “game” is profit maximization while the ultimate objective being the survival of the organization.

The main motor of institutional change or emergence, therefore, is competition. Institutional changes are caused by the pursuit of maximum payoffs by actors who work for competing organizations. According to North:

“when competition is muted (for whatever reasons) organizations will have less incentive to invest in new knowledge and in consequence will not induce rapid institutional change. Stable institutional structures will be the result. Vigorous organizational competition will accelerate the process of institutional change” (North, 2005: 23)

This change can take any number of forms depending on the institutional matrix (which determines the opportunity set). “Maximum” return is defined by the incentive structure in an economy which is also crucial in directing the resources for acquiring new knowledge and skills.

Based on North’s theorization, because the “human landscape” involves uncertainty, within which daily decisions are taken based on perceived payoffs, humans acquire information to reduce the uncertainty, the cumulative pool of this knowledge acquired and normalized through time constituting culture itself (North, 1990, 2005). “where do informal constraints come from? They come from socially transmitted information and are a part of the heritage that we call culture... culture provides a language-based conceptual framework for encoding and interpreting the information that the senses are presenting to the brain” (North, 1990: 37). “Making sense” is the first level of learning based on a mental architecture that structures and gives meaning to sensory cultural input according to North, generating an “event space”³¹ which receives data from experiences that involve the physical environment and the socio-cultural linguistic environment. The event space structure consists of “categories and classifications” that is based on a learning process beginning from early childhood to organize individual perceptions.

North conceives institutions as manmade structures that help reduce uncertainty in the “human landscape” (North, 2005). Subjective mental models and ideology play important roles in shaping individual choices within this landscape (North, 1990). Three underlying elements are identified through the interplay of which the economic performance of a society is thought to get shaped: demography (the composition and quality of a country’s population), the aggregate knowledge of the society (including beliefs), and institutional framework. Among the aggregate knowledge, “beliefs and the way they evolve are at the heart of understanding the process of change” in a society’s institutional make up (North, 2005). “How well institutions solve the problems of coordination and production is determined by the

³¹ This concept is similar to Bourdieu’s concept of habitus. However, North does not acknowledge this due either to a willful omission (as is also common in regard to another term that Bourdieu played the main role in conceptualizing, social capital, in some mainstream usages of the term), or he has come to the same understanding much later than Bourdieu. In any case, it does not seem to have played a prominent role in North’s (or NIE’s) institutionalist method.

motivation of the players (their utility function), the complexity of the environment, and the ability of the players to decipher and order the environment (measurement and enforcement)” (North, 1990:34). The durability of certain institutions through time, meanwhile, is explained by applying an equilibrium model; i.e., the parties to the exchange facilitated by the existing set of institutions might not see an advantage in initiating a process that would change the institutional equilibrium (North, 1990:86).

North (2005: 26) writes that formal rules are only ‘blunt instruments’; that is, changing formal rules based on a “correct” understanding of what it takes for the economy to perform well is not adequate because economic performance depends on an admixture of formal rules, informal norms, and their enforcement characteristics. He adds that, “changing only the formal rules will produce the desired results only when the informal norms that are complementary to that rule change and enforcement is either perfect or at least consistent with the expectations of those altering the rules.” (North, 2005: 28)³². In a passage that succinctly frames North’s contribution to the formulation of EEA, he writes: “creating an institutional environment that induces credible commitment entails the complex institutional framework of formal rules, informal constraints, and enforcement that together make possible low-cost transacting” (North, 1990: 58).

To summarise, NIE’s institutionalist concern has worked back from an original concern, that of transaction costs, leading to the study of contracts and its role in economic development based on a market-based allocative regime. To investigate institutions, formal and informal with respect to how they facilitate or impede market-based transaction and thereby an allocation of resources through this mechanism, forms the main thinking approach regarding institutions in NIE. As a theoretic-normative assumption of NIE regarding the economy, Menard and Shirley point out in the introduction to the *Handbook* (2005) that “the performance of a market economy depends” upon formal and informal institutions and the modes of organizations embedded in them that facilitate private transactions and cooperative behaviour. Attention to level ‘1’ in Williamson’s levels of analysis is

³² This viewpoint can become the ideological articulation of deep marketization (see Caroll, 2012 for a discussion of the term) if used in a pro-market development policy, much as it can also provide the reasoning for some other fundamentalist policy approach of the kind not fully aligned with NIE’s commitments at the policy level.

not entirely abandoned in NIE theoretical texts but only to the extent that it fits the epistemology of seeing institutions as 'constraint'. As North puts it:

“if at the macrolevel of cultural inheritance we still know very little, we can say more about changing informal constraints at a microlevel. In part, as suggested above, changes in relative prices or tastes may result in such constraints simply being ignored by common consent and then withering away. In terms of the focus of this study, a major role of informal constraints is to modify, supplement, or extend formal rules. Therefore, a change in formal rules or their enforcement will result in a disequilibrium situation, because what makes up a stable choice theoretic context is the total package of formal and informal constraints and enforcement aspects.” (North, 1990: 87)

2.1. The Methodological Constants of an Ideal Market

It is worth taking a step back from the notion of 'bounded rationality' as an approach to the study of human economic behaviour, to study of the more 'global' (as Simon calls it) form of rationality to which the 'bounded' form sees itself as a necessary complement. This exercise is warranted as it takes the discussion of human behavioural disposition to its purely 'utility-maximizing' abstract form, from which NIE derives its pre-given unit of analysis. North (1990) states that “institutions define and limit the set of *choices* [emphasis mine] of individuals” (North, 1990: 4), suggesting that by theorizing 'choice' in the establishment of institutions, a theoretical field can emerge that brings neo-classical 'choice-theoretic' epistemology into the study of a major topic in all social sciences. It is worth examining this conception of choice, and how it might bear upon the idea of markets and resource allocation, before moving on to an understanding of the institutions of a market economy (i.e., EEA) as devised by the World Bank.

Before we get on with this section, I should note that how a 'market' appears in *real* is structured by the “rights-obligations structure” underlying the context of this exchange, which makes each marketplace context different from the other (Chang, 2002). Market economy in France and Netherlands, for instance, is different from market economy in China and the US in important ways. Keeping this variability of real experiences in mind, the attempt in here is to simply sketch

the ideal theoretical orientation of all institutional settings that are inclined toward or actively pursue a 'market economy', not delineate the nuances and their differential extant objective details.

To begin, the ontological assumption in the mainstream theory of markets relies on a few core beliefs regarding human nature underlying her/his choice and the way to understand human social practice, referred as 'rational choice theory' (RCT hereafter). The theory relies on seeing human social practice tending toward 'self-interest' (for a critical contribution see Simon, 1955; for general discussion see Blume and Easley, 2008: 11559; in the context of market exchange see Rittenberg and Tregarthen, 2010; for its application in various social domains in addition to production and exchange see Becker, 1976). The epistemology derived from this approach views the content of the individual's *self-interestedness* as 'utility maximization'. The concept of utility in one of its first coherent articulations was put forward by Jeremy Bentham, as:

“The principle that approves or disapproves of every action according to the tendency it appears to have to increase or lessen – i.e., to promote or oppose – the happiness of the person or group whose interest is in question” (Bentham 1789: 7)

The concept also entails an understanding of the individual as capable of exercising her/his preference in relation to a set of alternative utility options (the utility of apples vs peers, for instance). And the choice among these alternative options is transitive; viz, if apple to her/him is better than peers and peers better than oranges, then to him/her apple is better than oranges. Problems having to do with measuring utility that is derived from each option and the comparison of utility, in method and public policy, has led to some adjustments in computation (considering that the satisfaction derived from utility is personal and subjective). To the effect that, the choice of one over another option *itself* has come to be seen as a product of a utility-driven desire, this mere act seen as the manifestation of the higher utility the individual intends from choosing one over another option regardless of its consequence in terms of happiness (for a critical review, see Sen, 1998).

The theory also *ex ante* assumes ‘complete preference’ on the part of the decision-making individual; that is, the person can always say which of the binary alternatives they prefer or whether *any* option is preferred (Blume and Easley, 2008: 11561). Such choice of preference in a unit of transaction is based on a further important assumption, that of symmetrical access to information between the economic agents involved regarding the utility options (Stiglitz, 1994: 5). As in, individual ‘A’ (a consumer) is assumed to have access to the same information as individual ‘B’ (the producer) and can wield it the same way as the latter.

In here, given the ubiquitous use of the term “individual” in my discussion, I should introduce a signpost to avoid unnecessary confusion between the presumed RCT individual (an abstract concept) and individual as a natural being. The term I will use for the former is ‘ersatz³³ human’, which means replacement or substitute [borrowed from Wacquant (Bourdieu and Wacquant, 1992)]. Ersatz human does not exist and is merely a pre-given epistemological substitute for *empirical* human – whether by RCT-based research or the ‘bounded rationality’ variant, regardless of how empirical human interest might be in real practice. My use of ‘ersatz’ is therefore a regular reminder to distinguish between the empirical human (the subject of this research) and the non-empirical human (the one I claim underlies EEA).

Building on the ersatz human ontology, the theories in social science, including economics, that are underpinned by the epistemology of RCT have the ‘ersatz human’ as their unit of analysis, an epistemology that defines one form of “methodological individualism” (Blume and Easley 2008: 11562). As Kenneth

³³ I considered two alternatives for this term, ‘abstract human’ or, the more commonly used ‘homo economicus’, but ‘abstract human’ is too generic considering it can also apply to an abstract *habitus-laden* human, and ‘homo economicus’ tends to unnecessarily accentuate the ‘economic’ aptitudes of the RCT human, by which an actual empirical human showing other motivational variant other than the one ascribed by RCT might unwittingly get divested of this aptitude. Meaning, the only form of *economic* human the term homo economicus (literally meaning the economic man) has presupposed and promulgated, by proponents and opponents, is the one that is utility maximizer. This definition has by now become too ubiquitous to permit for redeploying the term with a new meaning in mind. Meanwhile, all humans inevitably have a habitus deposited in them and this habitus can contain various motivational compasses for economic activity, including closely approximating the profit maximizer variant as one possibility (a disposition whose learning and internalization should be traced by the researcher through a study of the contextual milieu of habitus’ production, and be established *a posteriori*). Hence, a habitus-laden human can turn out to be homo economicus after empirical investigation. The term, therefore, is misleading as either it divests non-RCT human of the economic aptitude (rationality), or it disallows the consideration of a habitus-laden human as ‘homo economicus’. Whereas ersatz human is merely a rational abstraction, a logical constant that for now contains the substance of what is deemed ‘homo economicus’. In short, homo economicus has come to obtain a substantive semantic content that can overlap with the motivations of empirical humans whereas ‘ersatz’ is used as *a priori* concept. This discussion will be elaborated elsewhere.

Arrow states with some reservation (1994), “it is a touchstone of accepted economics that all explanations must run in terms of the actions and reactions of individuals”. The following statement by North represents what I mean by a pre-given human, from which explanation is said to begin: “the strength of microeconomic theory is that it is constructed based on assumptions about individual human behaviour ... institutions are a creation of human beings. They evolve and are altered by human beings; hence our theory must begin with the individual” (North, 1990:5). In academic work that relies on RCT or ‘bounded rationality’ as pre-given units, the use of ‘individual’ should be seen as an ersatz constant to avoid the misleading confusion of considering such a terminology with empirical human.

Debate concerning human motivation and its use in epistemology began more systematically in 19th century along the ‘historical’ and ‘abstract’ bifurcations in methodology, the former studying individual, and social phenomena as units of analyses, the latter studying social phenomenon through the study of human motivations and passions (Lukes, 1968). One formulated theory along the latter line in economic method is associated with the Austrian School and its founder Carl Menger (Arrow, 1994). As put by Frederick Hayek, a thinker associated to this school:

“There is no other way toward an understanding of social phenomena but through our understanding of individual actions directed toward other people and guided by their expected behaviour” (Hayek, 1948: 6)

The domain of collectives, including social categories (e.g., institutions), are also believed to emerge when ersatz humans are coerced or see a personal benefit in cooperative relations (Olson, 1965: Amadea 2003). This point is consequential for the debate on NIE and its policy implications – discussed below.

I should note that so far as the logical implications of this method goes, I have followed a similar approach in my empirical investigation. I maintain that the entry point to the understanding of the complexity of social practice lies with the study of the intricate details of the lived experience of the constituent members of a society. Social facts are facts to the extent that they shape and are manifested in *individual* action. However, how I intend to study a ‘constituent social member’ is

fundamentally different from how the above injunction by Hayek assumes her/him as a concept, *an ante* assumption that has implications in policy and practice that this thesis is mostly about. I return to this point in chapter 3 where I formulate the thesis theoretical framework.

The admission of the *ex-ante* ersatz conception has not gone without criticism and for its defence, one rather compelling argument is put forward by Milton Friedman (1953), who suggests that while what is observed on the surface in a social event might contradict the assumptions of RCT, the theory's implications are confirmed at a different level of deductive observation; that its validity is derived from assuming *as if* the event took place based on its assumptions from an *ex post* observation (same as, he argues, leaves seeking sunlight can be assumed as if they do so based on a deliberative tendency). Hence, to better understand human motivation and equip social science with the ability to predict human action, it is safe to also *ex ante* consider them as self-interested profit maximisers. This is believed to adequately substitute the task of tracing and constructing the 'empirical human' rationality.

Normatively, Adam Smith's use of the concept of markets to explain reasons behind growth of a society's material wealth, posits that when individuals (that is, the 'ersatz' conception) are left on their own to act independently in pursuit of their self-interest, they will not only create harmony by the counteracting effects of everyone seeking their self-interest, but will benefit the society, on aggregate, through an unintended consequence unbeknown to each separate member (Callinicos, 2012) – an idea he develops in his *An Inquiry Into the Causes and Nature of the Wealth of Nations* most notably in the following passage:

“they [the rich] consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own convenience, through the sole end they propose from the labour of all the thousands whom they employ be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among its inhabitants, and thus without intending it, without knowing it, advance the

interest of the society, and afford means for the multiplication of the species.” (Smith, 1977: 593-594)³⁴

This idea of social organization arose in the intellectual environment of European Enlightenment that picked up human nature as a serious subject of inquiry where the idea of interest in the economic sense was born through centuries of intellectual work and statesmanship (for an insightful review, see Hirschman, 2013), along the moral dichotomy of Rousseauian and Hobbesian thinking, the former seeing humans as ‘essentially good-natured’, the latter as ‘inherently immoral’ (Callinicos, 2012). The inquiry into the innate propensity in human nature touched on another intellectual problem that was contemporaneous and a corollary of the ‘human nature’ debate – the problem of providing a theory of historical movements through successive periods (Callinicos, 2012: 22–25). Why is it that societies move from one way of life to another throughout history? In answer, Anne Robert Turgot, a French economist, and statesman, recognized “passion and greed” as the motors behind human progress much in line with the RCT conception of human nature as self-seeking (Callinicos, 2012: 25).

Directly flowing from this classical debate, a coherent research tool in the form of RCT has emerged that relies on an ahistorical universal category for building explanatory models for studying social phenomena, including markets (see Hayek, 1948). From this perspective to economic management; albeit in an ideal form, allowing pursuance of ersatz human self-interest in a market where (s)he competes with other ersatz humans is how prices are set through diffuse and highly intractable individual knowledge (Mises 1990[1920]; Hayek, 1945) which reveals scarcity and guides factor allocation to maximize utility (Bowles and Gintis, 1998: 8). Instead of a bureaucratic agent deciding how to allocate resources, price signals thus set regulate the economy by facilitating the task of decision-making for resource allocation (Mickiewicz, 2010). Such a “marvel” (Hayek, 1945;

³⁴ Interestingly, in the same book Smith refers to the effects of habit, custom, and education (Smith, p. 32) as defining factors in how, firstly, individual professional specialization emerges among individuals of similar ‘nature’ (humans being of the same nature at birth yet choosing to specialize early on in their work life), based on which ‘division of labor’, this fundamental concept in his study of capitalism, takes shape. This contradicts his treatment of human economic incentive as uniformly tending toward self-interest (this motive, rather than any other, defining what the individual chooses to become where his interest lies the most), but also, the effacement of the explanatory importance of ‘habit, custom, and education’ is much more common in theories that purportedly seek their lineage in Smith’s seminal work.

Williamson, 2000) comes about if the legal-institutional framework for it is established (Coase, 1959).

This theory, seeing “markets” as primal institutions, consider it as having naturally emerged through a spontaneous process (see Chang, 2002 for a critical review), thence representing the natural state of the economy. The implication being that, if it is not present, it might be because some intervening factor is tampering with the natural course of resource allocation. The assumption born out of this is that pushing back these intervening factors by rendering the institutional environment more conducive would permit for the restoration of the natural order of resource allocation ideally in such a way that transaction costs are minimized, and productivity improved.

2.2. Enabling Environment Approach

Along the line of previous market-oriented reforms in the 1970s and 1980s (for detail, see Starr, 1988; Williamson, 1990; Stiglitz, 1999; De Wall, 2001; Birdsall and Nellis, 2002; Peet and Hartwick, 2009) the EEA is the most recent policy principle meant to restore the ‘natural order’ of market-based allocative regime, albeit with renewed focus on the state. In this section, I first attempt to substantiate the heretofore implicit claim that *enabling environment approach* (EEA) exists as a concept and its principal ideas are derived by the World Bank from seminal work in NIE, among them North’s important 1990 book (see North, 1990). EEA is placed in the historical context of its emergence, its definition derived from IFIs documents; more precisely, the annual *World Development Reports* between 1990-2020 and other documents of the World Bank.

The first time a document refers to “enabling environment” in the context of private sector development is in a 1990 paper by Peter M. Fozzard, senior geologist at World Bank’s African Technical Department. The paper (Fozzard, 1990) identifies absence of an “enabling environment for high-risk exploration investment” by the private sector as the reason why the region’s mining output is decreasing. Around the same time, the other World Bank document that refers to market-oriented “enabling climate” is the *World Development Report 1991*. One other text in 1990 where “environment” is used with a similar connotation in mind is North’s influential book on institutions, *Institutions, Institutional Change and Economic Performance*

(North, 1990). North points out that “the evolution of institutions that create a *hospitable environment* [emphasis mine] for cooperative solutions to complex exchange provides for economic growth” (North, 1990). In a separate essay on institutions a year after, North (1991) posits, “how does an economy achieve ... efficient, competitive markets?”. He replies that the “central issue of economic history and of economic development is to account for the evolution of political and economic institutions that create an economic environment that induces increasing productivity.” It is important to remember that North’s ideas represented a growing mainstream concern, important enough by then to gain him a Nobel Memorial Prize in Economic Sciences in 1993.

To my knowledge, prior to these instances the use of “enabling environment” (or enabling climate) is not noticed with the same connotation in policy documents by IFIs, other international organizations and in academic journal entries. Even separate uses of both “environment” and “enabling” are not common in World Bank documents. On the contrary, the post-1990s period has witnessed a proliferation of the concept’s use mainly in the context of market-oriented reforms. The word “environment”, in particular, is increasingly deployed in a state-institutional context when the other, more widespread connotation of it referring to the natural environment has also become a mainstream concern owing to the scientific (and perhaps also growing popular) consensus regarding climate change.

The World Bank *World Development Report 1991* promotes the “enabling climate” approach aimed at reconfiguring state institutions in a “market-friendly” (i.e., favourable to market-led allocation) way to make them conducive for private sector investments. The report refers to a “gradually forming consensus” in favour of market-friendly development in the world, a conclusion it draws from state-institutional reconfiguration by various degrees in Chile, China, Ghana, India, Indonesia, South Korea, Mexico, Morocco, and Turkey during the 1980s which it claims have resulted in “improvements in economic performance”. A year before the 1991 World Development report, a fundamental shift in approach to development was announced in *World Development Report 1990* – with poverty as its thematic focus. The new approach replaced the previous model that tended

to measure the effect on poverty of particular projects to an “economy-wide” model, particularly by focusing on the impact of government policies on the poor.

In a sign that the World Bank had grown conscious³⁵ of the link between state institutions and satisfactory pursuance of a market-oriented model, the *World Development Report 1991* states that “markets do not operate in a vacuum”, and for them to emerge and be sustained, legal and regulatory frameworks are needed that only governments can provide. It lays out four areas of ‘reform’: a) “investing in people”; viz., investments in public education where private sector investment alone is observed by the Bank as inadequate, b) government’s role in creating an “enabling climate”; including “competition, adequate infrastructure, and institutions”, c) integration with the “global economy” through “openness to international flows of goods, services, capital, labour, technology and ideas”, and d) macroeconomic stability.

Two World Bank documents, a 1991 discussion paper *Managing Development: The Governance Dimension* and a 1992 working paper *Governance and Development* dealt with the issue of ‘governance’ more systematically, the latter particularly symbolizing the Bank’s aforementioned shift in approach, which is illuminating considering the global context of its emergence; namely, the Soviet Union’s official dismemberment a year before³⁶. In about the same time, an increasing assertiveness was witnessed by bi-lateral aid agencies for promoting “civil liberties” and “democracy” as conditions for aid to developing countries (Moore, 1993). During the Cold War, for the rival Soviet Union and the US-led camps, acting too assertive may have proven problematic, considering it could be seen as an infringement of a ‘third world’ country’s sovereignty, pushing them to choose the rival side. This concern was no longer in place for the one remaining global power – the US-led camp – after the end of the Cold War, which was also where the discourse of governance originated.

³⁵ At least the paper describing the consensus around policy in Washington, D.C. by John Williamson (1990) (i.e., Washington Consensus) does not hint at state institutional reform *per se* as a primary focus of IFIs development policy approach, this concern mostly emerging in early 1990s.

³⁶ This should be put in the wider global intellectual and policy orientation of that moment which since the 1970s had begun a tilt away from strategies of mixed allocation; i.e., allocation regimes that combined bureaucratic allocation of the state with the market-based allocation (see Chang, 2002). By the 1990s this tilt had led to a full-blown shift toward the latter. This new material allocative regime in the world has been referred to as neoliberalism, which brings together the analytical tools of neoclassical rational choice economics with the politico-philosophical insights from the Austrian-libertarian school.

The *Governance and Development* document defines governance as “the manner in which power is exercised in the management of a country’s economic and social resources for development”, defining ‘good governance’ as “sound development management”. Absence of ‘good governance’ is acknowledged by the report regarding “efforts to develop privatized production and encourage market-led growth”, which may not “succeed unless investors face clear rules and institutions that reduce uncertainty about future government action”. The following passage summarized the Bank’s new thinking regarding the government’s role in development:

“The Governments play a key role in the provision of public goods. They establish the rules that make markets work efficiently and, more problematically, they correct for market failure. In order to play this role, they need revenues, and agents to collect revenues and produce the public goods. This in turn requires systems of accountability, adequate and reliable information, and efficiency in resource management and the delivery of public services.” (World Bank, 1992)

The paper reaffirms the assertion in *World Development Report 1990* that the Bank’s intervention strategy in developing countries, previously focused on specific project-related agencies of the host government (the government receiving the assistance), was being replaced with a focus on “systemic constraints”, including “sound management” in the state economic agencies that are responsible for policymaking. This “broader approach” was also underway in the areas of public sector “accountability, legal framework for development and information and transparency”. In an important statement, the document states that intervention toward achieving these governance ‘reforms’ is consistent with article 4, section 10 of Articles of Agreement of the International Bank for Reconstruction and Development (i.e., the development arm of the World Bank Group). The article prohibits the Bank from interference in the political affairs of any member state and only “economic considerations” are said to form the basis of its decisions. The *Governance and Development* document, in effect, redefined the target government’s task of “economic management”, encompassing major aspects of a host government’s political control over development policy, as apolitical and technical in nature. And although the Bank ostensibly still restricted

itself to the economic dimension of development management, the overlap of the economic and political dimensions of good governance was inevitable, which was resolved by attributing the success of the good governance reform itself to democratic content in the country's politics (Santiso, 2001). For example, in a sign of the new consensus regarding the systemic approach, the nexus between peace, democracy and good governance was recognized as important for development by African Union's 2001 program, called New Partnership for Africa's Development.

The concept of "development" itself within the Bank's re-oriented discourse toward governance, has obtained a different semantic significance than when the Bank focused on particular projects in target countries. In an analysis of Bank document semantics, Moretti and Pestre (2015) suggest that this transformation in the Bank's reports (which they call "Bankspeak") represents an increasing shift to "abstract" and geographically nonspecific "nominalizations" (e.g., poverty alleviation, development effectiveness, sustainable development, equitable growth, etc.) that do not entail commitments in the form of concrete projects (e.g., hydraulic dams, road network, administrative buildings, schools, etc.). The latter language was mostly in use during the 1950s and 60s when the institution's role in "reconstruction" (given its name "International Bank for Reconstruction and Development") was more prominent in setting its policy agenda. The abstracted mode of communication has been increasingly in use during the recent 'neo-liberal' phase, also having the important implication, among others, of arbitrariness; that is, it permits a much more involved intervention by Bank experts on the ground considering that the concrete details of the interventions are not pre-determined.

Although the *Governance and Development* document avoids an overtly persuasive tone and, according to Moore (1993), it appeared to play a "signalling" role to merely inform governments around the world of the Bank's thinking regarding "good governance". However, this signalling did come with the proviso that if the reforms proposed by the Bank through its "dialogue" did not bear any fruit, the Bank would reassess the nature and extent of its support for the target country. Thus, the document asseverates that the full extent of support from the Bank could now be expected if the systemic constraints in the host government

as a whole were on the table for reform. The document points out the limitations that the Bank's reforms can face from "national decisions and government commitments" in areas where these are the fundamental determinants. Notwithstanding the importance this limitation was afforded to in other cases ever since, such domestic limitations had a minimal bearing when it came to formulating the governance model toward obtaining a resource allocative regime in post-2001 Afghanistan – there was no significant pre-existing state authority with the ability to exercise such checks on the World Bank and other international organizations involved –, which made the economic policy design particularly radical in its ambition (this is discussed more in detail below).

In a subsequent instance, the term "enabling environment" is used in the World Bank *World Development Report 1992* in the context of the host government's willingness to align their development management with what the Bank calls "efficient and equitable service" provision necessarily not on its own but, at least in the short-run, through the involvement of the private sector and NGOs (the "informal sector" as per Guha-Khasnobis, Kanbur, and Ostrom, 2006). Instituting an "appropriate legal, regulatory and administrative framework" is identified as the substance of this reform to lay the basis for, *inter alia*, private sector participation in the economy. The word "participation" in here is informative, given that the role of public sector economic resource allocation still remained relevant enough not to write it off entirely; viz., the purpose underlying EEA by then was the establishment of conditions for participation of private sector parallel to public sector, rather than the state taking a backseat in an economy characterised by private sector-led resource allocation.

In the World Development Reports 1993 and 1994 "enabling environment" is used in the context of investing in health sector to better enable households and for "successful reform and development of infrastructure" given the thematic foci of the documents in those years – investing in health and infrastructure respectively³⁷. In the *World Development Report 1996*, focusing on transition from

³⁷ The Bank World Development Reports have ever since used the term in other areas (e.g., enabling environment for information and communication technology, education, health, etc.), showing that the scope of its usage by the Bank has grown beyond strictly focusing on state laws and regulatory frameworks to other domains while the substance of it has remained consistent with a market-oriented direction in development policy.

planned economy to market economy, the language in support of market-oriented reforms is empty of the previous cautionary tone, and the “freeing of the market” is said to be the “enabling reform from which all the benefits of transition flow”. The “enabling” institutional models to emulate mentioned in the document are the Bundestag in Germany and corporate laws in the United Kingdom and the US (Nicholas et al., 1996).

In the *World Development Report 1997* which draws heavily from NIE and notably North’s influential 1990 book, with the role of the state as its thematic focus, the Bank lays out the governance initiatives to foster “liberalization and privatization” in three areas: preparing for reform, establishing an enabling business environment, and privatizing (or liquidating) state enterprises. In regard to “enabling business environment”, the report mentions reforms that “supports competitive private markets” based on “rules of the game that facilitate entry and competition, and a complementary institutional, legal and regulatory framework that undergird property rights and markets, including (notably) financial markets.” As discussed above, this line of thinking had become well-developed by that point (see above section on NIE). The formulation “rules of the game” is, in fact, directly taken from North (1990). NIE in general saw an upsurge in popularity in the 1990s (Rajagopal, 2008). Tellingly, the International Society for New Institutional Economics (renamed Society for Institutional and Organizational Economics) was also established in 1997. The *World Development Report 1997* also defines the concept of “enabling environment” and “supportive environment” with far better coherence compared to previous reports, basing its understanding on two documents: *World Bank Handbook on Good Practices for Laws Relating to Nongovernmental Organizations* and *World Bank Social Assistance and Poverty-Targeted Programs: A Sourcebook Prepared by the Social Assistance Team*, both of them published in 1996 (Chhibber et al., 1997). In the subsequent *World Development Reports* until the most recent one in 2020 the term “enabling environment” (with “business environment”, “climate”, “framework”, “institutions”, or “markets” sometimes replacing environment) is increasingly used in terms suggesting economic management by the government in ways that are conducive for private sector-led allocative regime. The term had become common enough that by 2005 the *World Development Report* in this year was called *A Better Investment Climate for Everyone*.

Around late 1990s and early 2000s, a big push for “governance reform” begun by the World Bank around the world which saw 600 instances of such interventions in 95 countries between 1996 and 2001 (Development Committee of the World Bank as quoted in Santiso, 2001), which represented a somewhat modified ‘Washington Consensus’ (Rodrik, 2001), advanced by the World Bank due mainly to the social impacts of the 1980s policy package (e.g., in post-Soviet Eastern Europe). This ‘institutionalist’ view included such areas as a “sound financial system, an adequate regulatory and competitive framework” but also, “policies to facilitate the transfer of technology, and transparency” (Del Castillo, 2008: 275).

The importance of state institutional capability to facilitate market exchange was partly stressed by some thinkers who were not within the mainstream development thinking (see Chang and Nolan, 1995) or had fallen out with it (see Stiglitz, 1999). In 1999 the World Bank and IMF established a mechanism to provide developing countries debt relief and concessional loans provided that they tailor their development strategy to Poverty Reduction Strategy Papers or PRSPs, whose final approval rested with members of the boards of both the Bank and the Fund. By 2006 nearly all low-income and highly indebted countries had produced PRSPs, totalling 77 (Stewart, 2003). By mid-2010s the ‘market systems’ thinking was well-integrated into the United Nations developmental approach as evidenced in the ‘Sustainable Development Goals’, defined as a “multi-function, multi-player arrangement that includes a dynamic combination of people, relationships, functions and rules that determine how a particular good or service is produced, accessed and exchanged” (Hunter and Moores, 2018).

The 1990s “institutional” shift toward state-market complementarity in World Bank reports coincided with what Rajagopal (2008) refers to as a turn to “rule of law” as a solution to intra-state conflicts following the end of the Cold War and the need for rescuing “failed states”, as a “technical, legal and apolitical” policy instrument that could offer solution to problems in disparate areas of post-conflict reconstruction, including the preservation of security and economic development.

To summarize, around the time of the intervention in Afghanistan in late 2001, the new development consensus consisted of state institutional reforms to create an enabling environment for a market-led allocative regime (i.e., a non-intervention

framework), entailing “good governance” and “rule of law”. Based on the usage of “enabling environment” by the World Bank the concept can be defined as a principle for institutional reconfiguration to facilitate exchange based on the effort to create ‘efficient markets’ (*a la* North).

The “enabling” part – being the opposite of “disabling” – implies extant ability to act; viz, it rests on a presupposition of some innate energy that *awaits* enabling. Herein lies the ontological assumption of EEA that *a priori* views individual allocative interest as ‘wealth maximisation’. Without presupposing an ersatz human conception, the ‘enabling’ effort would be hollow, which finds meaning if intended to operate as a facilitator of ersatz human action in the form of her/his wealth maximising effort (i.e., investment). All members of society thus performing as ‘wealth-maximisers’, the enabling of the sum total of the innate energy they represent would, it follows, unleash an untapped social potential, leading to the aggregate self-regulating momentum for material growth. Merely enabling this potential through “good governance” should, therefore, bring about material growth and with that, economic development.

Having oriented the political power of the state toward the “enabling” the “environment” as a principle for economic management, the task of resource allocation must rely thereafter on the innate ability of ersatz humans for its full realization. The state bureaucracy, meanwhile, is not to directly enter the realm populated by ersatz humans, where coordination of resource allocation is presumably undertaken by the various instruments of the ‘market’.

Perhaps distinguishing the word “enabling” from the other commonly used term in development discourse, “empower” might better help grasp its semantic content. The latter (e.g., empowering women, empowering the poor, empowering poor nations, etc.) may imply burden-sharing in the process of granting the power to act (e.g., empowering an investor may require granting her/him concessional credit). There are no indications in how “enable” is defined, on the contrary, that would entail burden-sharing. Enabling would have to inevitably rely on a source of activation, in its innate and tangible forms. The term also entails a practical implication; i.e., what is enabled is expected in tangible social action; it refers to an outer manifestation of the presupposed innate propensity in the particular form

of utilizing non-barren tangible (primarily financial capital, technological equipment but also land) and intangible (technical know-how) assets in a capitalist investment³⁸.

Meanwhile, 'environment' in EEA refers in particular to the (in)formal institutional milieu where the act of investment takes place; i.e., *institutional* constraints. The more the range of productive activity is expanded through conducive laws and regulatory framework, conditions for private investment, it follows, become *ipso facto* relatively more favourable. To go back to Williamson's notion of markets as primal institutions (Williamson, 1973; see Chang, 2002 for a critique), government would by this act would clear the space for the 'natural order of things' to step back in, therewith increasing the likelihood of ersatz individual capitalist investment. The institutional constraints that might be impeding this are believed to lie both within and outside the state agencies, whence the process of 'reform' is said to begin to first root out the internal dimension of the "weaknesses" (World Bank, 1992), subsequently including a reform of the society to *create* the conditions that are conducive for capitalist investment.

The tendency to 'create' in addition to the commonly known objective of 'reform' requires particular attention when it comes to EEA's distinctiveness. Even though it is a market-oriented paradigm³⁹ of which there have been many variants, including structural adjustment programs (Rodrik, 1990), (post)Washington Consensus (Williamson, 1990; Stiglitz, 1998), the competitive paradigm or neoclassical economics (Stiglitz, 1994; Fukuyama, 1995), neo-liberalism (Harvey, 2005), or deep marketization (Carroll, 2012; Neusiedl, 2017), EEA in Afghanistan nonetheless merits the particular designation adopted in here. This is because it refers to a form of market-oriented approach by which there is a holistic effort at *creating*, rather than the proverbial 'unleashing' of the forces of the market that is seen as attainable through the simpler task of reform. In sum, the 'Washington Consensus' market-oriented policy was mainly reformist. EEA, along the same

³⁸ For a review of the theories of "capital" from an institutionalist perspective see Ranson (1987)

³⁹ Paradigm understood as a "framework of concepts, results and procedures" that gives direction to thinking and research (see Kuhn, 1996).

line, bears by all accounts a radical tendency as the ambition to reform targets society at large⁴⁰.

EEA's relatively radical approach can be included in the recent turn toward what Toby Carroll (2012) calls "deep marketization", the idea that society as a whole now forms the target of market-oriented reform (see Phelps, 2008 for an example of this line of thinking). In contrast to the 1980s reforms, however, the EEA objective is seen attainable through the state machinery. While under 'Washington Consensus' there appeared an insistence by IFIs to reduce the state's scope in general, now under new institutionalist EEA, the state is being brought back with the purpose of *enabling* the institutional environment. An effort that has nonetheless remained committed to "state minimalism" in productive resource allocation. In a contradiction that comes to bare on economic development, the focal point of policy for building state machinery has been the pursuance of "state minimalist" approach (Carroll, 2012) through the state machinery itself – an idea concerning the state which is theorized in NIE that, as put by Menard and Shirley (2005), seeks to balance the state capacity to effectively protect and enforce private property while keeping in mind that it does not become too powerful to also attempt at expropriating it⁴¹.

In the context of Afghanistan, this has meant providing technical and financial assistance to create state institutions that supports private sector-led resource allocation. The economic design has thus remained overwhelmingly focused on government institutions in a strategy that – not being able to ignore the issue of instituting a government bureaucracy following the ouster of the Taliban regime yet the economic agencies of this government not permitted to directly intervene in productive resource allocation – has led to what I call (for lack of a better term) 'roundabout statism' – with a particular type of state administration in mind; the one that adheres to "good governance". The following diagram, starting from the

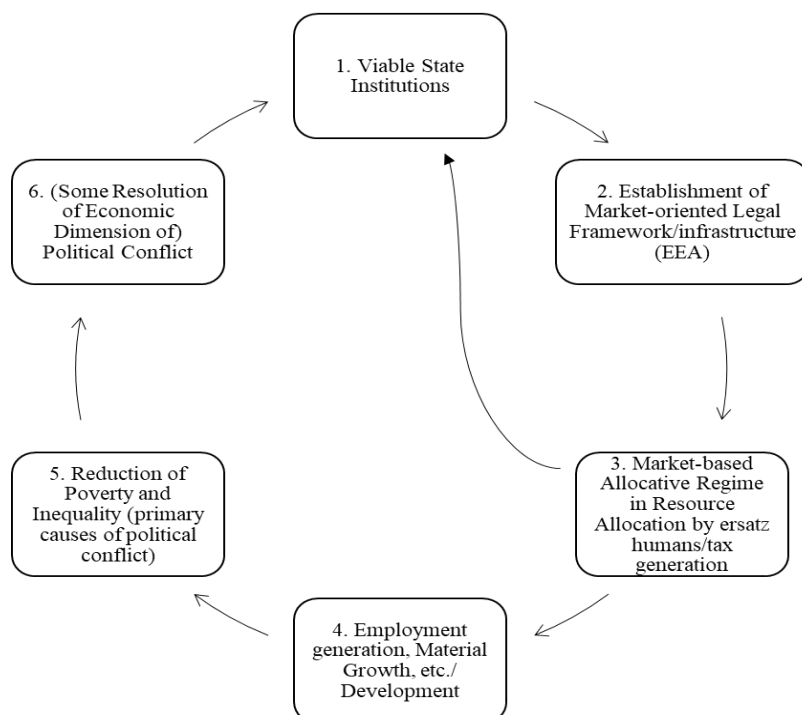
⁴⁰ Which can be witnessed, for instance, in conducting education programs that promote 'entrepreneurship' among the youth (see for example Cusak and Malmstrom, 2010; USAID, 2019, Organization for Economic Cooperation and Development, 2019).

⁴¹ This concern is legally enshrined in the 2004 Afghan Constitution:

"Property shall be safe from violation. No one shall be forbidden from owning property and acquiring it, unless limited by the provisions of law. No one's property shall be confiscated without the order of the law and decision of an authoritative court. Acquisition of private property shall be legally permitted only for the sake of public interests, and in exchange for prior and just compensation. Search and disclosure of private property shall be carried out in accordance with provisions of the law" (Afghanistan Constitution, Article 40).

top-most box and moving clockwise, at the risk of seeming too parsimonious, summarizes EEA's practice in post-2001 Afghanistan:

Figure 1 - EEA in Practice



This policy design, as can be noticed, has aimed to resolve the effect of a phenomenon through the effect itself (akin to preventing an inundation with a water hose). If non-viability (ineffectiveness, inability, inadequacy and shortage of enforcement capacity) of state institutions can be attributed to the presence of conflict, the above design is intended to resolve the economic reasons of conflict through the same state that remains non-viable due to the presence of the very ongoing conflict. The state being non-viable as a consequence of constant insecurity among other reasons – a condition attributable to an aftermath of a long period of war – is tasked to generate EEA, which is expected to lead through time to the spontaneous mechanism of markets (the “marvel”, as per Williamson) that would work on the basis of ersatz human self-interested wealth maximization⁴² and the cues provided by ‘prices’ to allocate resources and generate taxes to,

⁴² The thesis is aimed at re-examining this foundational assumption.

among others, finance the same state (in theory, in practice the finances would be overwhelmingly dependent on foreign aid), also leading to employment generation, material growth and, hence, development. With considerable luck, the latter would reduce poverty and inequality and through a long journey (nearly two decades in Afghanistan and continuing), the country in question would come back to resolving; albeit in its economic dimension, the underlying reasons for the conflict which, as a formidable presence, has been working the opposite way all along.

Chapter 3. Theoretical Framework; Embodied Institutions

At the outset, to better frame the following discussion, I introduce the following *institutional categories*, the distinction among them being necessary to ameliorate the conceptual apparatus applied in a study of this kind.

- 1. Explicit Formal:** laws and regulations formulated and enforced by state coercive apparatuses and organizations operating within the domain of state-recognized legality.
- 2. Explicit Socio-Structural:** laws, conventions and traditions formulated and enforced by non-state apparatuses outside the state's legitimate jurisdiction and competence.
- 3. Implicit Formal:** norms that are often linked to and grow in the form of extensions of the 1st category through time.
- 4. Implicit Socio-Structural:** norms that are transmitted in an embodied way through social structures (e.g., trust, reciprocity, altruism, honesty, etc.).

A positive investigation (in contrast to a narrow instrumental one either in relation to transaction costs or collective non-state governance), would move from ground up to study the effects of the latter three categories as ordering mechanisms, which entails some effort to construct elements of an empirical human habitus. Therefore, the distinction between the above categories is consequential for the conceptualization of institutions, and how institutionalized practices are empirically brought under investigation. The above institutional categories are distinguishable by, *inter alia*, five criteria: 1) Immediate¹ origin, 2) mediums of transmission, 3) enforcement and monitoring mechanism, 4) definability, 5) and prescribed retribution in case of violation. It should be noted that the elements that can be included in the last two institutional categories, particularly the latter one, are not only uncodified but they, in fact, retain their efficacy by their very capacity to remain diffuse, uncodified, and unwritten. Upon becoming codified, they might get included in the 1st or 2nd category depending on the 'immediate origin'.

¹ The word immediate refers to the chronologically most recent enactment as an origin, not the preceding stages of the development of such institutions. For instance, the rules governing sartorial propriety in a theocratic state are formulated by the legislative body and enforced by law enforcement agencies (e.g., morality police), even though the preceding development of such rules are to be found in religious jurisprudence.

Table 1 - Institutional Categories

	Immediate Origin	Mediums of Transmission	Enforcement and Monitoring Mechanism	Definability	Prescribed Retribution in Case of Violation
1. Explicit Formal	State Legislative Activity and Organizational Hierarchy	Codified, visible and legible text/form	Formal political apparatus (e.g., state law enforcement apparatuses, bureaucratic hierarchy in an organization)	Intensional ²	Penalty applies in all cases (its enforcement depending on elements often not fully stipulated in law)
2. Explicit Socio-Structural	Social Structures (family and non-family social grouping ³)	Mostly verbal communication but also written transmission in some cases (e.g., customary property deeds)	Social Structures (family and non-family social grouping hierarchy)	Intensional	Penalty applies in all cases but rigorous to the extent arbitrary capacity of enforcement mechanisms in these cases permit.
3. Implicit Formal	Extension of 1 st category	Practical experience (embodied transmission)	Mutual understanding of the parties involved	Non-intensional ⁴	Mostly reputational and without any somatic penalty
4. Implicit Socio-Structural	Habitus as Structured by Social Structures	Practical Experience (embodied transmission)	Habitus as a Structuring Structure	Non-intensional	Mostly reputational and without somatic penalty

The confusion in NIE (particularly in North and Ostrom who seem to show more interest in this topic) arises out of confounding the latter three categories under the generic concept of ‘informal institutions’ (see North, 1990) – which might be due to the partial exposition of elements of the latter three categories owing to their relative importance in relation to a topic of interest (mostly market-based transaction costs in NIE). It does not matter if they are recognized nominally. What matters is their application and place in theory. The conceptual confusion is seen to either lead to an eclectic integration of some of the elements of the category for constructing a pre-given unit of analysis beyond RCT (see Ostrom, 1998), or the category is observed as mostly irrelevant to an institutionalist analysis that focuses

²² The rule lends itself to a relatively *comprehensive* understanding of the necessary and sufficient conditions to which it refers; e.g., a ‘red traffic light’ refers to a sign that is represented by a red light, upon the viewing of which incoming cars are required to stop.

³ This can include any grouping other than the family but also not active within the explicit formal domain. Examples of this can include village level consultative bodies, a tribal unit at the village level, a neighbourhood/community association, and other such collectives, that can lay out rules for members (rules governing murder of a member by an in-group or out-group individual, theft her/his property, adultery, etc.)

⁴ The norm lends itself to relatively *apprehensive* understanding of the necessary and sufficient conditions to which it refers. The amorphous and tacit awareness it evokes is experienced in practical form.

on contracts (see Williamson, 2000). In other systematic analyses, the category is seen as an instrument to transcend the unitary grip of Westphalian nation-state on governance (Ghua-Khasnabis, Kanbur and Ostrom, 2006; Hart, 2006; Christensen, 2006). They are, rather uniformly, treated as 'informal constraints' (see North, 1990)⁵.

Moreover, in the conceptualization of institutions, there is need for an important distinction, I believe, between *common sense awareness* of a social phenomenon (denial of which would be absurd) and an *epistemological application* of it in a scientific study (work meant for the purpose of exposition and explanation). To illustrate, all humans in a normal state of mind are aware of 'human individual' (denying this fact would be absurd, as we are all human individuals). However, for a social scientific investigation, how the *epistemological application* of human individual is developed, and subsequently used in the explanation of a social event, is substantively different than the nominal one afforded by the *common-sense awareness*. The former can, in many ways fundamentally, alter the tasks of designing a research, decisions for empirical data gathering and devising a strategy for their analysis. For instance, the concept of individual discovered through inductive empirical investigation, and individual as a substantive pre-given unit (the "calculative approach" as per Williamson, 1993) are two different things (the latter in all its forms is referred as 'ersatz human' in the thesis, the former used as the point of departure). Seeing humans as boundedly rational does not preclude also seeing them as 'ersatz humans' in line with RCT. This assumption has the same effect as non-empirical *a priori* assumptions tend to have on research. The tendency in NIE to view all institutional categories as 'constraints' arises not out of discounting these institutions as objectively irrelevant, but of method.

Ostrom (1998), for instance, suggests that trust, reciprocity and reputation and face-to-face communication are important elements in examining individual behaviour, particularly in social dilemmas, and they should be added to the *complete rationality* of the RCT human, in a conception that takes 'bounded rationality' seriously. She does refer to 'socialization' as a source of learning these

⁵ Tellingly, a volume on formality and informality (Ghua-Khasnabis, Kanbur and Ostrom, 2006) appears to treat the latter's explanatory importance in relation to its *effect*; i.e., an 'informal sector', the 'informal' in it referring to a mode of governance by *rules* that lie outside the reach of government law.

norms or the rules governing these traits, yet does not provide a clear empirical entry point for studying them: it is simply argued that these are to be added *a priori* to the RCT-derived assumptions as integral components of a pre-given human rationality, relevant to the degree that the circumstantial requirements make the RCT version of rationality too parsimonious. This is only a slight improvement to the RCT version so far as the issues pre-given units of analyses can bring about in empirical research.

The contention also applies to North's idea of 'choice' by which an attempt is made to subsume institutions into an RCT framework; albeit in a way that posits the ersatz human as 'boundedly' rational to account for institutional "constraining" effect on her/his action (see North, 1990; Williamson, 1993, Crawford and Ostrom, 1995; and Ostrom, 1998, 2007). The methodological confusion in how North deploys the term 'choice' regarding how institutions are set up and then evolve, appears nowhere sufficiently resolved by him. However, considering the affinity he seeks to establish between his variant of institutionalism and neoclassical choice-theoretic methodology, the confusion is implicitly resolved by putting the weight of his epistemological concept of choice (the one that matters in research) on the neoclassical understanding of it. How neoclassical theory applies choice cannot be understood except for seeing it as descendant in relation to human subject (*I am* first, *I make choices* after). If we consider all human social activity as products of this form of choice in scientific research (lets ignore, for an instant, the tokenistic admission of other messy areas that, though admitted, are not factored in in the explanation), then institutions too are subjected to the same model in actual research – as a product of human choice that constrains her/his politico-economic incentives (North, 1990), meant to reduce uncertainty in the "human landscape" (North, 2005) and to allow actors to convert uncertainty (a situation where outcomes cannot be factored in in the decision-making process) to risk (where different outcomes can be factored in) (see North, 1991).

Furthermore, aside from issues having to do with conceptual confusion (something I have sought to partly resolve in the thesis by adopting the above four institutional categories), an important effect in method regarding institutions can arise owing to the point of departure. The quote by North in the beginning of chapter 2 locates the point of departure in NIE tradition in 'cost of transaction in a

market exchange' (TC), which, according to him is the main reason that makes institutional analysis (IA) relevant. That is:

If TC, then IA.

The latter's place in research is evidently dependent on the perceptibly prohibitive effects of the former. The purpose of such an investigation is the discovery of efficient and non-efficient institutions. The word efficient is used by North "to indicate a condition where the existing set of [institutional] constraints will produce economic growth" (North, 1990: 92). Therefore, IA, in NIE tradition, considers the relevance of those institutions that have a bearing on the level of TC, deriving their importance in the investigation of economic growth insofar as they increase or decrease TC. If TC does not exist (market is frictionless and the instantaneity of neo-classical theory holds), IA's place in theory and research becomes redundant. Likewise, if a society is governed entirely by formal institutions (in a hypothetical sense), the IA most relevant to the study of TC would include only these forms of institutions. If we move to a society where a slight admixture with informal institutions is viewed as affecting TC, relevant to the degree of TC with the predominantly formal ones, then they too become relevant in research (and the policy that comes out of it). As such, the extended concept 'institution' is studied in *part* – that part which has a bearing on economic growth (see, for an example, Sen and Steer, 2010).

Meanwhile, what happens in actual research is the treatment of the above four institutional categories as uniform, as 'humanly devised constraints'. This puts a *formative* effect on research. That is, imagining institutions as constraints perforce leads to the adoption of some *other* element in the research that these phenomena are believed to constrain – a pre-given unit of analysis that would inevitably have to be factored in separately, distinct from these constraints. Due to the movement from TC to the study of institutions in part, the researcher complements the investigation by imagining these as constraints to some 'in-and-of-itself' substantive rationality (either the absolute form of the RCT, or the boundedly rational variant of Herbert Simon adopted in NIE).

North constantly reminds us of informal constraints' persistence, dedicates a chapter on them in his influential book *Institutions, Institutional Change and*

Economic Performance (North, 1990), and writes at length about the difficulty to understand them fully and how they are much more pervasive than formal rules: “formal rules, in even the most developed economy, make up a small (although very important) part of the sum of constraints that shape choices; a moment’s reflection should suggest to us the pervasiveness of informal constraints” (North, 1990: 36-46). However, when it comes to the *conceptual* institution (as a variable in his system of thought), informal institutions come into existence to the extent they imbricate the investigation of transaction costs and productivity, the researcher working her/his way from the point of departure (TC) toward it. As such, some (in)formal institutions become relevant to such an inquiry, depending on the context. And considering that formal rules might be more present in determining transaction costs and productivity in modern capitalist economies North discusses (e.g., mainly the US, UK, Spain and Latin America), the discussion shifts overwhelmingly to these aspects of institutions. Indeed, at points informal institutions (as a category encompassing all categories 2, 3, and 4) get subsumed under formal ones: “underlying these informal constraints are formal rules” (North, 1990:36).

This treatment of formal and informal institutions is also witnessed in the discussion on ‘incremental changes’ in institutions, where North suggests that the “evolution of the common law” (a formal institution) can be considered as a way to understand overall institutional change (North, 1990: 96), formal and informal. The set of informal institutions seem to respond to changes in the formal rules and act as extensions and elaborations of them: “arising to coordinate repeated human interaction, they [informal rules] are (1) extensions, elaborations, and modifications of formal rules, (2) socially sanctioned norms of behaviour, and (3) internally enforced standards of conduct” (North, 1990:39). Meanwhile, taking these three categories as forms of “informal constraints”, only the last one, as per North, does not abide by the “wealth-maximizing model” and is often observed when the “individual gives up wealth or income for some other value in his or her utility function”. Even in this case, their effectiveness on individual social behaviour is tied to the logic of cost: “...the lower the price of ideas, ideologies, and convictions, the more they matter and affect choices” (North, 1990:40). North adopts price analysis in the expression of convictions, explaining their effect relative to the cost the wealth-maximizing agent might incur in doing so: “it is

simply impossible to make sense of history (or contemporary economies) without recognizing the central role that subjective preferences play in the context of formal institutional constraints that enable us to express our convictions at zero or very little cost” (North, 1990: 44).

Regarding a “very large residual” of ‘informal’ institutions in the latter category that modify individual behaviour, North claims that a convincing theory to explain their effect does not exist: “we simply do not have any convincing theory of the sociology of knowledge that accounts for the effectiveness (or ineffectiveness) of organized ideologies or accounts for choices made when the payoffs to honesty, integrity, working hard or voting are negative”. A bold statement, to say the least, as it downplays a great deal of social scientific work on the effects of ideology. As a solution to this quandary, he falls back on the “wealth-maximizing” hypothesis: “even if we do not possess a good explanation for social norms, we can model wealth-maximizing norms in a game theoretic context.” And further extends the logic of rules on informal norms: “although the informal institutional constraints are not directly observable, the contracts that are written, and sometimes the actual costs of transacting, provide us with indirect evidence of changes in informal constraints” (North, 1990:42-43)⁶. Though it is admitted that human motivation is “more complicated than the simple expected utility model”, important traits such as “honesty, integrity, and living up to a reputation” too are observed as having returns in “strictly wealth-maximizing terms”. This point is summarized in the following paragraph:

What determines how much people will pay to express and act on their convictions? We seldom know much about the elasticity of the function or shifts in the function, but we do have abundant evidence that the function is negatively sloped and that the price incurred for acting on one’s convictions is frequently very low (and hence convictions are significant) in many institutional settings (North, 1990: 44)⁷

⁶ Owing to the conceptual confusion, he states elsewhere in the same book that: “equally important is the fact that the informal constraints that are culturally derived will not change immediately in reaction to changes in the formal rules” (North, 1990: 44).

⁷ By this logic, if a Muslim refuses an interest-based loan (a common behavioral trait, including among the study participants), it is to be accounted primarily as an outcome of a negatively sloped cost curve, and not because it is strictly forbidden in Islam – a conclusion that would be evidently wrong, as doing so directly affects the costs (in a very material sense) of doing a business and yet a believer is not deterred to ‘express’ her/his belief by word and deed due to such concerns.

The claim that institutional structures “allows people to express their view at little cost to themselves” and that anti-slavery movements were possible in 19th century US because “individuals could express their abhorrence of slavery at relatively little cost to themselves” (North, 1990: 85) might contradict the history of ideas, barring perhaps exceptions where expressing ideas contrary to the prevalent institutions did not entail outright violence. The ‘price’ one might pay proportionate to the expression of one’s ideas should be high, by this postulate, particularly in the case of extremists, who are never deterred by such concerns (to the extent, sometimes, of committing suicide in the service of their conviction).

It should be emphasized that the theoretical shorthand most recurrently seen to confound the distinctive characteristics of category 4 institutions, in particular, is by reducing all ‘informal institutions’ as aspects of *rules* that are not recognized by state codified law, which is what North (and Guha-Khasnobis, Kanbur, and Ostrom, 2006) in the quotes above suggests can be done to overcome the lacunae he thinks exists in regard to informal norms. By that logic, it is only a short leap in the investigation of these institutions to also locate them under the general category of rule-based ‘constraints’: “the growth of more complex forms of exchange in later medieval and early modern Europe was made possible by a variety of informal institutions such as the *early law merchant’s* [emphasis mine] publicized of merchant conduct” (North, 1990:41).

This blurring of the distinction between ‘formal’ and ‘informal’ institutions, as they are both treated as rules that entail some form of socially administered sanction, becomes more pronounced in other places, the latter getting subsumed in the former: “the difference between informal and formal constraints is one of degree. Envision a continuum from taboos, customs, and traditions at one end to written constitutions at the other...the increasing complexity of societies would naturally raise the rate of return to the formalization of constraints” (North, 1990: 46).

There is as a result much confusion between formal and informal institutions, their role in shaping exchange, and their respective capacities to endure external factors. In the discussion on “informal norms” (North, 1990: 36-46), all those social ordering mechanisms that are not recognized by the state law and legal framework are seemingly included, including explicit codes of behaviour. This is seen, for

instance, in the discussion regarding the Nuer and Tonga tribal communities (North, 1990: 37-38) or in the discussion on the Shasta county, California, who do not resort to “legal redress” (i.e., formal framework of law by the state) but resolve disputes through “informal” means (i.e., non-governmental rules) (North, 1990: 39)⁸. The NIE institutional scheme (see Figure-2 in chapter 3) should be read in light of the above discussion only, otherwise without context it might be read as to suggest NIE research is unaware of informal institutions or disregards them.

Regarding formal rules, the following paragraph sums up the point of departure (facilitation of exchange by reducing transaction costs) and the ontological assumption (wealth-maximizing behaviour) North adopts:

“Given the initial bargaining strength of the decision-making parties, the function of rules is to facilitate exchange, political or economic. The existing structure of rights (and the character of their enforcement) defines the existing wealth-maximizing opportunities of the players, which can be realized by forming either economic or political exchanges” (North, 1990: 47)

This idea is important to comprehend the logic behind the kind of *enabling environment* the World Bank seeks to establish in policy form, derived primarily from the notion of formal institutions propounded by North: “at issue is not only the incremental character of institutional change, but also the problem of *devising* [emphasis mine] institutions that can provide credible commitment so that more efficient bargains can be struck” (North, 1990: 52). The general thrust of the institutional ‘scaffolding’ gradually emerges in North’s ideas where “low-cost contract enforcement” (as a product of formal institutions) is said to be the most important source of economic stagnation and underdevelopment in the Third World (North, 1990: 54). The key is to establish the kind of condition that is conducive to evolutionary or ‘incremental change’ within the institutional framework, rather than a situation that leads to a crisis (revolution) due to contractual disputes unresolvable within that framework. “Political institutions (both formal and informal) can provide a hospitable framework for evolutionary change. If such an institutional framework has not evolved, the parties to an

⁸ These explicit forms, nonetheless, should be recognized as “formal” explicit rules, even if not recognized by a state, in order to adequately distinguish them from implicit norms, to then investigate how they come about and are transmitted (the embodied/implicit transmission and the objectively definable explicit form).

exchange may not have a framework to settle disputes, the potential gains from exchange cannot be realized, and entrepreneurs...may attempt to form a coalition of groups to break out of the deadlock by strikes, violence, and other means” (North, 1990: 89). While a change in formal rules might be attempted, North argues, the deep-seated informal constraints as an “extension of previous formal rules” is difficult to synchronize with the new rules, resulting in a condition that gradually leads to a “new equilibrium that is far less revolutionary” (North, 1990: 91). Despite this admission, he goes on to state the following for making the ‘political market’ approximate the zero-transaction cost model for efficient economic exchange:

Legislation would be enacted which increased [increase] aggregate income and in which the gainers compensated [compensate] losers at a transaction cost that is low enough to make it jointly worthwhile (North, 1990: 108)

Regarding the problem of the divergence of economic performance and the persistence of ‘poor performance’ over long periods, North’s methodological plain shifts to the historical *long durée*: “if we look back far enough in history, divergence appears to be very simple to explain” (North, 1990: 92). The animistic automaticity underpinning the concept of equilibrium in neo-classical theory can be extended, North believes (1990: 112) to the level of long-run institutional change while keeping in mind that ‘evolutionary change’ from less efficient to more efficient institutional frameworks is not costless, which is the reason for the differential performance among societies to persist: “if institutions existed in the zero transaction cost framework, then history would not matter; a change in relative prices or preferences would induce an immediate restructuring of institutions to adjust efficiently” (North, 1990: 93). This point is woven with the centrality of ‘contract enforcement’, evident in North’s description of the ‘success story’ of Western European institutional development (North, 1990: 124-130), where increasing volume of cross-border trade and contract enforcement are both said to have led to the complex of institutional framework that has brought about Western prosperity. In here, the researcher adopting North’s NIE lens might find a theoretical and politico-normative anchor – contracts and their enforcement in a Western European model that sets an efficient institutional path.

The conceptual institution in North's idea, as a product of efficiency-seeking human/organizational activity, is evident in seeing two forces that shape the path of institutional change and "shape the long-run path of economies" (i.e., path dependency): increasing returns and imperfect markets characterized by significant transaction costs:

In a world in which there are no increasing returns to institutions and markets are competitive, institutions do not matter. If...the actors initially have incorrect models and act upon them, they either will be eliminated, or efficient information feedback will induce them to modify their models. But, with increasing returns, institutions matter... there are large initial setup costs when the institutions [without the formal/informal distinction] are created de novo as was the U.S. Constitution in 1787. There are significant learning effects for organizations that arise in consequence of the opportunity set provided by the institutional framework...The resultant organizations will evolve to take advantage of the opportunities defined by that framework, but...there is no implication that the skills acquired will result in increased social efficiency. There will be coordination effects directly via contracts with other organizations and indirectly by induced investment through the polity in complementary activities. Even more important, the formal rules will result in the creation of a variety of informal constraints that modify the formal rules and extend them to a variety of specific applications. Adaptive expectations occur because increased prevalence of contracting based on a specific institution will reduce uncertainties about the permanence of that rule. In short, the interdependent web of an institutional matrix produces massive increasing returns" (North, 1990: 95)

Should the institutional path that is adopted chart a long-run trajectory that approximates little to zero transaction cost, it is an efficient one according to North. However, in the presence of incomplete markets, fragmentary information feedback and significant transaction costs, it is the historically derived 'mental constructs' (ideas, theories, ideologies) of actors in an effort to decipher an uncertain environment that determines economic performance. The correct 'legal model' in North's conception is that which leads to efficiency, and any other one taken on the basis of "incomplete information" and the legal actors' "subjective and ideologically conditioned views of how the world ought to be" is not so. This is to

say that the decisions taken on the basis of a competitive process that is intended for economic growth as an efficient outcome are devoid of the “subjective and ideologically conditioned views” of the actors involved, a claim that is equally inadmissible considering that belief in market-based capitalist growth is as ideological as any other economic alternative.

For instance, North’s assertion that institutions that provide incentives that encourage “redistributive organizations” (North, 1990: 99) lead to ‘inefficient path dependence’ is an example of his own ideological bias – there is no overwhelming evidence that ‘redistributive organizations’ *per se* have hampered growth than those which encourage wealth accumulation. In fact, to the contrary, there is growing consensus that income inequality negatively affects economic performance and redistributive policies such as taxes are good for growth – see, for instance, Frederico Cingano’s study that covers member states of the Organization of Economic Cooperation and Development (Cingano, 2014). By suggesting that the capacity to seek for ‘efficient path dependence’ is distinct from the ideological and mental-subjective models of judicial actors, North also implies that the wealth-maximizing human *rational* behaviour is devoid of ideology; i.e., if they are truly calculative it is when they pursue the maximization of the chances of economic growth through institutions in a competitive process, based on constant feedback. If not, they must be influenced by some ideology or their subjective models of “how the world ought to be”, which is self-contradictory (‘efficient path dependence’ is itself based on an ideal notion of how the world *ought to be*).

Despite stressing that there is no implication in his ideas regarding formal rules’ efficiency, and that rules are “at least in good part, devised in the interest of private wellbeing rather than social well-being” (North, 1990: 47)⁹. He nonetheless addresses this efficiency problem by suggesting that:

“The evolution of polities from single absolute rulers to democratic governments is typically conceived as a move toward greater political efficiency. In the sense that democratic government gives a greater and greater percentage of the populace access to the political decision-making

⁹ The ‘efficiency problem’ was also later addressed by De Soto (2000) and Acemoglu and Robinson (2012), among others. The latter more closely applies NIE epistemology, notably ‘path dependency’.

process, eliminates the capricious capacity of a ruler to confiscate wealth, and develops third-party enforcement of contracts with an independent judiciary, the result is indeed a move toward greater political efficiency” (North, 1990: 50)

Alluding to Hayek, North gives primacy to the conditions for “maximum generation of trials” as a way to arrive at ‘adaptive efficiency’ (North, 1990: 81). The problem of state’s role in such a system remains a dilemma, which is important as a third-party enforcer of contracts but can also cause ‘inefficiency’ by behaving impartially. Hence, “how does one get the state to behave like an impartial third party?” (North, 1990: 58) is a question that, according to Menard and Shirley (Menard Shirley, 2005: 1-21) constitutes one main thematic area in NIE research in general. This is the kind of ‘minimalist’ state (see Change, 2002, for a discussion) that provides third-party enforcement “such that one has assurances that political bodies will not violate contracts of parties or engage in conditions that will alter radically the wealth and income of parties” (North, 1990: 59), but the state would not directly engage in allocative decision-making, which might violate the imperative of guaranteeing property rights (or other attendant rights it entails). It is up to private owners of property to decide how to employ their wealth. And such interventionist measures as subsidies and tariff protection by the government are observed as “a mixture hardly conducive to productive efficiency” (North, 1990: 67). Though the state’s role is recognized in establishing the contractual requirements of long-distance trade in medieval Western Europe, it was a successful case only because the state was “bound by commitments that it would not confiscate assets or in any way use its coercive power to increase uncertainty in exchange” (North, 1990: 129). As a model of success, he states:

The nineteenth-century U.S. economy provided a hospitable environment for economic growth. Just what made the environment hospitable has certainly occupied the attention of scholars examining the consequences of the Constitution, the evolution of the law, the role of the frontier, the attitude of both the native born and immigrants, and a number of other characteristics of the society that influenced incentives (North, 1990: 136)

In short, the establishment of 'efficient' institutions that is hospitable to growth is an executive act, provided it has 'built-in' incentives to create and enforce 'efficient' property rights (North, 1990: 140).

In the discussion on knowledge, its accumulation as per the prerequisites of the "incentives that are built into the institutional framework" (North, 1990: 77) we see the germs of an idea that goes beyond the limited scope that pre-given units of analyses inevitably impose on research. Considering the prominent conditioning role of the point of departure and the pre-given unit of analysis in North's (and NIE's) research, it is left unclear, however, *how* to empirically investigate these institutional incentives; that is, where do they *empirically* reside? To wit, what should an imaginary alien do in a methodical order to investigate the effects of the institutional incentives derived from the institution of piracy? Many of us on earth already are familiar through cultural means what pirates do, and the fact that they value the knowledge and skills for harassing and pillaging navigational lines, a somewhat unsystematic knowledge that then permits for adapting, in accordance, the research lens when studying them (including a study of the institutional incentives that seem to ameliorate the skills for piracy). But what about a researcher (in our case, the alien) who is entirely ignorant of the institution of piracy and its incentives? If (s)he factors human incentive as pre-given, and leaps over it, where must (s)he (assuming they are gendered) look to find out the presence of this institution and, more important, the subjective perceptions that shapes institutional incentives of piracy? If (s)he looks at the outer manifestations of this 'institution' and works from it toward an ideal situation (where it is replaced by a more 'efficient' institutional environment), it might focus on the visible *elements* that encourage the perpetuation of such an institution.

There is no other way except for the correction of the epistemological groundwork, in a step backward, by removing the pre-given assumption of human motivation. By the same logic, if we treat every individual human community's strategies of provisioning (i.e., economic life) as idiosyncratic for the purposes of empirical research (a necessary guard against unwarranted generalizations, even though similarities among human communities might be as many as there are differences), the methodological point of departure would have to be an investigation of *empirical humans' habitus* that constitute that community.

The claim, therefore, that some NIE thinkers are aware of informal institutions and even apply them in research might overlook the above methodological point. It is not the case that this form of institutions is not studied in this tradition. But this *awareness* abides by the theoretical point of departure and the underlying ontological assumptions of the theory, remaining committed to the NIE (or, to be precise, North's) definition of institutions as external 'constraints' to individual humans (the methodological constant or 'ersatz human') while taking transaction costs in a market exchange as the point of departure. This is different than if we recognize the important distinction between the above four institutional categories. The latter line of thinking shifts the point of departure in the theory and subsequent research, leading to data collection that seeks out the embodied forms of institutions as well as the explicit-formal ones.

To summarize, if we concede 'institutions' (in all its forms) an independent existence that stands separately and act as constraint, to account for the *thing* that it constrains in theory and research an extra *pre-given* element would have to be factored in, presupposed as a monolithic unit of analysis. In theoretically important NIE sources, this pre-given variable is the incentives of the 'boundedly rational individual'. The mere admission of a substantive human rationality (either the RCT version or the bounded rationality of Herbert Simon) makes it, in turn, inevitable to see embodied and non-embodied institutions as things *external* to this pre-given human rationality, found in the *environment* where (s)he lives. A study that adopts the NIE definition of institutions, as such, is inevitably led to investigating the environment (the *real* environment) where individuals live, in an aim to explain the effects of these environmental constraints on human social practice (in an economic setting, her/his production choice and exchange). This duality becomes necessary, and it inevitably leads to a substantive change in the direction the research takes¹⁰. This way, NIE research by design cancels out the milieu where categories 3 and 4 reside: individual in flesh and bone¹¹. This explains the

¹⁰ This results in, on the one hand, 'boundedly rational' instrumental rationality as one reified element, assumed to be active (akin to a Leibnizian monad) in a social event. And, on the other, informal institutions as another reified element that are active when they constrain the above's activities. In real form, these two elements or at least the embodied forms of institutions are one and the same, the former constituted by the latter. An account of the *real* existence of an individual human and informal (implicit) institutions would have to consider the informal institutions under categories 3 and 4 as embodied to get rid of the above reification fallacy.

¹¹ Not among NIE thinkers and long before the tradition was established, Herbert Simon does consider constraints to exist "within the skin of the biological organism" (1955). But he uses this assertion to argue for

overwhelming focus on ‘formal’ institutions in NIE (rules and the legal framework) while ‘informal’ institutions are treated as an add-on or as a given, as stated by Williamson (2000). A critique of this conception of institutions would require going to its epistemological assumptions (which the thesis intends to do).

Given the NIE research project’s point of departure (transaction costs) and an epistemological pre-given unit (bounded rationality), formal and informal institutions, in this paradigm of research, are relevant when they become relevant in a market exchange, their relevance measured by the extent they generate transaction costs (if they do not, as North states, they are inconsequential, and the neo-classical theorem of market equilibrium obtains). How both the categories shape economic behaviour is explained by observing how they constrain wealth-maximization by economic actors (the ersatz conception). A fuller understanding of the trajectory of the concept of ‘institutions’ in important NIE literature would need to keep in mind its theoretical point of departure and its epistemological pre-given unit of analysis.

Moreover, in a policy that is derived, directly or indirectly, from this definition of institutions, and carries its normative commitments vis-à-vis transaction costs to smoothen market frictions and enhance productivity (or to get rid of ‘inefficient markets’ according to North), the consideration of institutions as ‘environmental constraints’ throws the main weight of policy on the correction of these environmental deficiencies (to be sure, ostensibly formal and *informal* environmental constraints), all along eliding the fact that implicit informal institutions, in *real* form, are not in the environment but within the individual humans, as integral and constitutive parts of their habitus.

The details of policies derived from NIE’s institutionalist thinking would also, ideally, strive for an institutional environment that is conducive to market exchange in a way to approximate zero-transaction model of the neo-classical theory. The institutional ‘frictions’ in market exchanges would be made removed to the extent that they become irrelevant (the market becomes efficient). Doing so would require significantly different policy elements depending on the context. In one

a modified version of rational choice theory (bounded rationality). The constraint he refers to is the physical and psychological limitations that constrain the number of choices the “organism” can exercise.

place where the market does approximate the zero-transaction cost ‘efficiency’ (the U.S. financial sector might be one such example), the policy might require the government to, in fact, save the market from its own excesses by direct intervention (e.g., Dodd–Frank Wall Street Reform and Consumer Protection Act in reaction to the 2007-08 recession). The policy element in such a case might have to reverse some of the ‘efficiency’ in return for guaranteeing the sustainability of the market. On the contrary, if a context approximates the reverse of the above (Afghanistan in the aftermath the 2001-02 changes), where market-based allocation itself is to a large extent absent, the policy necessitates an initial stage of *creating* a market economy, to then work toward making it ‘efficient’. Such a policy performe aims for a radical rearrangement.

The thesis goes beyond the conception of institutions in all its forms as ‘constraints’ and postulates institutional origin and changeability somewhere else in the context of Kabul. Particularly the roots of category 4 institutions – the main focus of the thesis – is sought in social structures that are transmitted to individuals in an embodied form. These structures appear more durable than the parsimonious ‘price theory’ in neo-classical theory might suggest. Not that their continuation is necessarily good or adverse, but their mere presence rests in social structures that largely work independent of the logic of market exchange and changeability in pursuit of wealth maximization.

Category 3 and 4 institutions mostly do not have the same *objectively perceptible* capacity for independent existence outside an individual as ‘formal’ constraints and are mainly found in her/him in embodied form (a point developed below). They may *generate* constraints as their outcome in certain fields of social life (as will be discussed in chapter 7) but they are mostly not reducible to this definition. More important, the way they structure human behaviour in particular fields of social life can be explained by looking into the primary social structures that transmit these institutions.

The importance of *purposive intent* is difficult to trace in how category 4 institutions develop partly owing to their origins in unknown history (whoever established ‘reciprocity’ in human society). Although the latter is admitted by NIE thinkers (see Williamson, 2000; North, 1990, 2005), this appears secondary to how the

analytical institution is conceptualized in this tradition – partly because in such a case the insistence on ‘choice’ would become inadmissible, so would the affinity NIE claims to have with ‘choice-theoretic’ neo-classical economics (see North, 1990). In addition to NIE’s epistemology that limits its research scope, category 3 and 4 institutions are also not as present as ‘formal’ institutions so far as the subject-matters of rational choice economics is concerned to which NIE aims to contribute. The intellectual field this tradition aspires to is mostly empty of the rather messy probing into the multiplicity of human normative constitution. Meanwhile, while ‘uncertainty’ can be reduced by establishing deliberate rules of conduct; the highpoint of such thinking being the legal framework, this does not explain cases where institutions are well-established, yet which can *increase* uncertainty in “human landscape” to some, whilst giving the uncertainty-to-risk conversion capability to another (e.g., slavery, or modern-day labour flexibility as a category 3 institution, growing mostly out of category 1 institutions).

The significance of ‘formal’ institutions in advanced capitalist societies, where most aspects of allocation and market exchange are legally defined, also means that examination of the reduction of uncertainty and transaction costs would perforce focus on this form of institutions. This is reflected in the areas the introduction in the *Handbook of New Institutional Economics* include as NIE’s growing scope after three decades of its inception (Menard and Shirley, 2005). Concerning the subjects covered in the book, with the exception of two essays, the remaining focus on formal institutions, also witnessed in Williamson’s 2000 essay regarding the past, present and the future of NIE as a tradition.

The core methodological horizon of NIE, including its analytical usage of institutions, is therefore guided by a preoccupation with an original subject matter (transaction cost) which characterises its theoretical imagination by taking ubiquity of ‘formal’ institutions for granted¹² (see Coase, 1960; Williamson, 2000, Williamson, 2005 and Shirley 2008 for such examples in NIE). This might be warranted in society’s where ‘formal’ institutions are well-developed, but its analytical tools might not be suited for application in societies where this form of

¹² As a side note, I maintain that ubiquity of “formal” institutions is itself one institutional element that is comparatively more likely to structure individual habitus – as embodied and in a spontaneously generative sense – in a society where it is present and the realm of codified law is expansive (e.g., the US, Japan, Western Europe, etc.) than where it is yet to emerge and social life is governed by custom (e.g., Afghanistan).

'rationality' as an ideational outgrowth of capitalism is yet to fully emerge (due to long periods of political violence, in addition to capitalism's novelty as an economic system in the case of Afghanistan) and social norms and beliefs as embedded components of habitus govern economic activity¹³.

The above methodological point, however, mostly does not preclude NIE's research to be led by a desideratum to *prescribe through explanation*; including areas such as transaction costs, the compatibility of the property rights regime to productivity, combination of hierarchical or market-based resource coordination, but also – and most consequentially to the topic in hand – the (non)institutional pre-requisites for economic development, including through historical analysis as a means of bridging the gap between the developed and the 'underdeveloped' parts of the world¹⁴. This prescribing tilt further limits the extent to which 'informal' institutions are accounted for by NIE as analytical tools in and of themselves, while implicit or explicit policy commitment being *sine qua non* in this tradition owing to its origins – accounting for the hindering effects of market 'frictions' before choice-theoretic neoclassical theory would become admissible. Such areas as norms, conventions, power, hierarchy, (in)equality and productive life of a society might enter the researcher's imagination insofar as they imbricate NIE's principal concern with how market exchange is made efficient. This is when 'informal' institutions have important – and central in the case of Kabul – significance for the task of explaining resource allocation *as such*.

Some discussion of path dependency is also necessary because it is relevant to the methodological point and the policy-related conclusions of this thesis. Regarding method, focus on the 'empirical human' is partly dependent on how grand historical narratives accommodates a place for them – adopting path dependency might make presently living and breathing 'empirical humans' irrelevant as objects of research because the process of history is given the comparatively larger agency. Moreover, the political subtext of path dependency as a social scientific method (with clear notions of 'success' and 'failure' in important NIE literature) is important, as it might propel a deterministic view that

¹³ Even where formal rationality has developed and predominate social life, it remains to be seen to what extent social norms, conventions and belief systems influence resource allocation and economic activity (a problem that needs addressing by researching social institutions in capitalist economies and not just the role contract or competitive price plays).

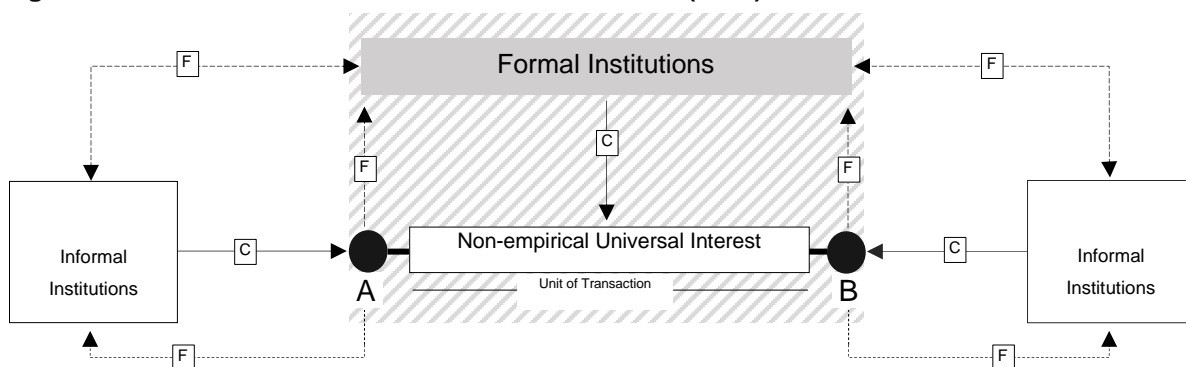
¹⁴ This last topic being, as per Engerman and Sokoloff (2005), the most significant contribution of NIE.

is also normative (only certain forms of institutions might ensure success), evidenced in the following:

“... where countries are today affects where they can go... Social and political factors affect the pace of change, and sweeping reforms are not always possible. It is important to work on the areas where opportunities present themselves; each step can take countries forward—if *correctly designed* [emphasis added]” (World Bank, 2002).

This view closely echoes North’s thinking and the primacy he accords historical processes as origins of path dependency which, when leading to a policy outcome, can provide strong justification for the policy against any tampering even if it seems not to yield the desired objective after a good amount of experimentation (two decades in Afghanistan), with the reasoning that in long-term history the policy shift(s) might prove to be ‘inefficient’ (look at how Mexico fairs poorly!). Important works by NIE thinkers are quite explicit regarding what constitutes ‘success’ and ‘failure’ (see, for example, North, 1990; Acemoglu and Robinson, 2012). Given this, an articulation of ‘success’ entails cautionary subtext against not following the successful models in history, even though this is not stated in explicit terms and such an implication could not be anticipated from applying path dependency as a tool of inquiry.

Figure 2 - NIE Institutional Schema as Per Williamson (2000)



Legend:

- 'A' and 'B' represent individuals in an exchange, the box between A and B displaying NIE's epistemology
- 'C' symbolizes a constraining relationship and 'F' symbolizes feedback (one-way or mutual)
- Solid line arrows represent direct short-term relationship; dotted line arrows represent (in)direct long-term relationship
- The striped area constitutes NIE's 'level of analysis'

The above schematic representation is not complete, and the level of analysis is not as clear-cut as this might suggest (NIE thinkers do not disregard norms and

beliefs entirely in their research). This diagram summarizes the main focal point of the explanatory institution, the issues of method owing the point of departure and the pre-given unit in NIE in research, shaping its level of analysis (Williamson, 2000).

3.1. Constitutive Institution

The other school of institutionalist political economy, OIE, offers a nuanced perspective on institutions, yet remaining largely concerned with the 'formal' kind (this time, the institutions of the state). According to Ha-Joon Chang (2002), many of the "social conventions" as "informal" institutions are also amenable to integration into the debate on legal system. Institutional research in this tradition is mostly in the context of investigating combinations of state-market management of the economy in contrast to the pro-market view in NIE. This research project has found its intellectual moment owing to the reversal of state's role in the economy under a concerted ideological and political set-back since the 1970s-80s. OIE's intellectual contribution is mainly intended to provide a counterargument to the market-oriented 'neo-liberal' trend through a research project that takes public sector's role in managing markets as a point of departure.

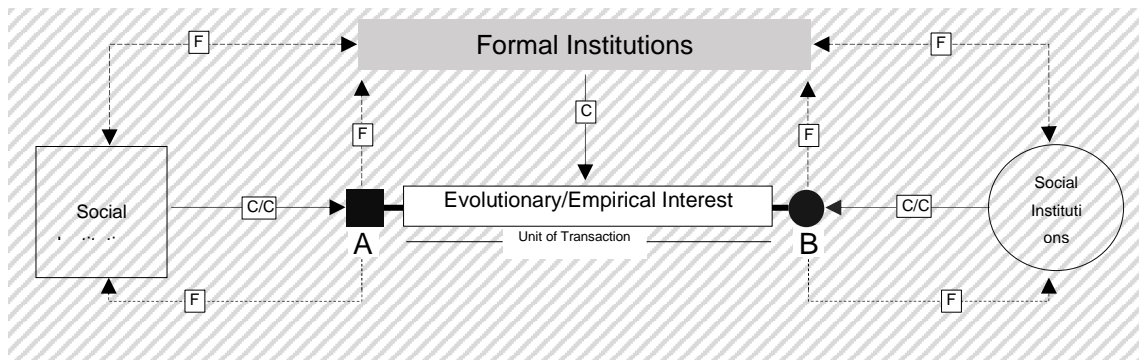
The fundamental difference OIE retains with NIE so far as method is concerned is that it sees institutions as temporally precedent to individuals while NIE sees them as descendant of human choice-based activity (Chang, 2002). According to one proponent of this tradition, institutions are "systems of established and prevalent social rules that structure social interactions" (Hodgson 2006) – a definition that is richer than "rules of the game" given its reference to social structures. More significantly, this tradition adopts a method that takes time and space (i.e., historical, and geographical location) as important explanatory elements. Although some general concepts are thematic to this tradition – knowledge, power, evolution, open systems – thinkers in this tradition link their exposition to real economic and social processes (Hodgson, 2002: 19). Markets themselves are considered one among a set of historically specific institutions in this approach (Hodgson, 2002; Chang, 2002). In contrast to equilibrium and the steady-state orientation of much of RCT-based textbook economics, the "evolutionary" lens adopted in this school emphasizes processes, changes, structural transformations, and justification of assumptions underlying concepts by showing

a historical-evolutionary process leading to them. If such a justification is not available, research is said to continue regarding the concept.

Theory in this tradition, in general, is rarely assumed as complete given that all causal relationships are not amenable to fit into the theoretical picture in social sciences (Hodgson, 2002: 20). One reason theoretical boundaries are not all-encompassing is because open and complex social systems exhibit “novelty” (Witt, 1992), which means variation and diversity are normal parts of social order and it is through constant interchange across the boundaries of the system that new and emergent properties come to being (Witt, 1992; Saviotti, 1996; Metcalfe, 1998). This implies that no social entity is taken as *given*, which entails constant research and theorizing to come up with new analytical tools to study a social event, domain, or entity. Say, human rationality, which cannot be assumed as having dropped from nowhere. A particular historical context should be laid out as to how, where, with what type of content, and within what kind of a socio-cultural context it has taken shape. If humans are admittedly ‘ersatz humans’ as per RCT, this rationality depends upon prior habituation, according to OIE – this closely aligns with the concept of habitus.

According to Hodgson (Hodgson, 2002: 23), OIE abandons the dichotomy between the individual and social structures; neither individual nor structure is taken solely as explanatory variable for social practice. This opens the way for studying the interaction between individual agency and structure. As such, both institutions and individuals are taken as units of analysis by theorizing a “double movement” in the relationship between them. The effect of institutions on individual humans is called “downward causation”; while, given that OIE does not take individuals as mere receivers of institutional effects, there is always “upward causation” that begins at the individual level and affects institutions (Giddens, 1984). Individuals are moulded by the experiences, preferences, cultures, and institutions and at the same time engage in a “moulding” activity from their level upwards.

Figure 3 - OIE Institutional Schema



Legend:

- All Figure 2 legends apply except C/C which in this case symbolizes both constitutive and constraining relationship.
- Similar shapes of boxes in here suggests constitutive relationship between the signified domains.

3.2. Institution as Reified Fallacy

While in NIE the concretized imagination of institutions as constraints is fairly common, in OIE too due to reifying an idea (institutions) as something residing *outside* the individual, some degree of an *aware interactive encounter* with institutions on the part of the individual has obtained – talking about “structural determinism” (see Chang, 2002) also arises out of this misplaced concreteness. The statement by Hodgson regarding institutional effect as the ‘downward reconstitutive causation from institutions to individuals’ (2000) can be viewed from this perspective, which imagines a form of iterative interaction between institutions and the individual who, through these interactions would inevitably have to stand on *something* – which I claim the theory to consider an innate natural rationality similar to NIE as this *thing*. This claim finds at least partial support in Chang’s (2002) statement that OIE’s (or IPE, as he names it) “...emphasis on the constitutive nature of institutions should *not* [emphasis in original] be interpreted as meaning that people’s motivations are more or less determined by the institutional structure” and that, “individuals also influence the way institutions are formed and run, as is typically done in NIE.”

OIE, although encompassing a relatively comprehensive notion of institutions, does not fully escape from considering a duality between individual and institutions, which is applicable to ‘formal’ institutions but not to implicit ‘informal’

institutions. This uniform treatment of institutions allows for OIE too to postulate instrumental policies to modulate them¹⁵ and through them, the individual (see Chang, 2002 for example). Furthermore, the frequent reminder in OIE literature¹⁶ to the role of the state institutions suggests an epistemology that is aligned with NIE inasmuch as they both focus predominantly on formal institutions.

3.3. Embodied (or Implicit) and Explicit Institutions

To begin, the conception of institution used in the thesis defines it as implicit (embodied and inter-subjective) and explicit (definable and objective) *social-relational ordering mechanism* transmitted through social structures. Implicit and explicit refers to its presence in subjective or objective form, the former dependent on human inter-subjective activity, the latter no longer dependent on human mind for its effective presence (though its effectiveness does rely on human mental activity). Concerning norms and rules, the former corresponds to implicit (embodied or inter-subjective) institutions and the latter to explicit (objective).

To elaborate explicit institutions (categories 1 and 2), by virtue of having the capacity to be represented objectively, they can be declared and transmitted in a visible form and with definable properties. I will unpack these points one by one. What is meant by ‘objective state’ of explicit institutions is, in its most common form, a legal register where meticulous abstract content in logically non-contradictory detail is recorded by the legislator regarding the ‘what, where, and how’ of legally sanctioned and prohibited practices. For example, the regulations of driving a vehicle include the legible codified laws in the society’s common language and supplemented in visible form by the signs posted along the road and the numerous instructions built into a car’s internal system indicating what actions are permitted or forbidden. Explicit rules in general have an objectively representable capacity that makes an intensional definition of them accessible; i.e., a definition that provides necessary and sufficient conditions for an institution to be called so. For example, the rule implied by “red traffic light” can be defined as a “red light on public roads that, when turned on, forbids cars facing it to

¹⁵ This is best encapsulated in this statement by Street (1987): “good theory makes for better solutions.”

¹⁶ For instance, in a 2002 essay in which Ha-Joon Chang introduces Institutional Political Economy, he names other sources in the tradition (e.g., Lazonick, 1991; Evans, 1995; Block, 1999; Chang and Evans, 2005, Burlamaqui et al, 2000), all focusing on ‘formal’ institutions as their primary explanatory element.

advance further”, a definition that says both a necessary and sufficient condition for an object to be called “red traffic light”. Intensional definability and non-definability of an institution is the main distinction between explicit and implicit institutions. Institutions structure social interaction as constraints to the extent that they have an intensionally definable capacity, which mainly applies to rules but not in the same extent to norms.

When it comes to customs and traditions which are often inter-generationally verbally transmitted, a clear one-time enunciation in words in understandable language constitutes, to the least, the objective form of this type of institution among members of a community (e.g., “do not ride too fast when you enter a crowded bazar” which provides both sufficient and necessary conditions for the regulatory institution of “riding speed amid crowd” in society A). Explicit institutions are also shown with other semantic symbols that, in the end, rely on language for explanation (e.g., traffic signals). These set of institutions are, by principle, dependent on being displayed and transmitted in an objective form to play and retain an ordering effect. Without this explicit transmission, a person can be excused for not following them.

This category includes mostly laws and regulations as important aspects of formalized social rules which, as Weber points out, have a “coercive apparatus” ready to “apply specially provided means of coercion (legal coercion)” for their enforcement (Weber 1978: 313). A notion similar to Durkheim’s definition of ethics that refers to them as “rules of action imposed categorically on behaviour to which punishment is attached” (Durkheim 1984: 15). The components of coercion and punishment are integral to rules, also applying to those customs that do not fall within the domain of state legal apparatus for enforcement but have other mechanisms of enforcement (say, the customs governing matrimonial relationship being enforced by the community in an Afghan society primarily through the authority of elders).

Due to it entailing coercion and punishment, an awareness of explicit institutions must be relatively *comprehensive*; viz, the individual(s) expected to act upon them should receive them in some clear semantic form, be able to define them upon learning, discuss their properties in some detail and know the kind of ordering

effect they are intended to produce. It is, therefore, possible for the individual to provide an 'intensional' definition of this ordering mechanism.

Implicit institutions (categories 3 and 4), on the other hand, are embodied and transmitted through social structures; functioning as little more than aspects of the individual's relation to an objective circumstance *as such*¹⁷. They exist in an embodied sense and as a *practical* form of social knowledge. They correspond to norms that exist in an inter-subjective state, transmitted through social structures, and enacted through practice, while their understanding to social agents remaining at an apprehensive level; there is an instinctual awareness about them which is often not amenable to an intensional definition. Even though they are categories that constitute and structure human behaviour same as rules, they differ from rules in that their enforcement does not involve coercive state apparatus while a clear punishment has not obtained or does not ensue from implicit norm violation. Even if an occasional punishment ensues in this case, it is most often of a different kind and is devoid of the degree of severity as with relation to explicit rule violation. Forms of socially accepted penalty might result, the practice of it dependent on an arbitrary optional tendency in the person deciding to penalize and oftentimes not certain to occur. Say, someone living in society 'A' penalizing someone else who has not abided by a variant of the norm of reciprocity specific to this society (in case this act does not inflict a clear punishable harm), in which case the most likely retribution might be the attribution of 'negative' image to the violator and nothing more. This is much more subtle than the degrees of penalty in case of violating rules such as violating respect for private property (theft) or the sanctity of marriage (adultery), for whom the nature of punishment, often in exact terms and codified in legible text, is well-defined and on hand.

Pertinent to the current research, implicit institutions embedded in social structures functions mainly as taken-for-granted purveyors of practical knowledge that are socially contingent and have developed piecemeal through a community's

¹⁷ Let me state a distinction between this and the notion that defines institutions as 'equilibria'. Although the latter too considers institutions as existing in embodied state (see Crawford and Ostrom, 1995), it does so mainly in the attempt to avoid doubts concerning the explanatory sufficiency of individual in line with ersatz humans. The embodied understanding serves to subsume norms in the pre-given ersatz human rationality, denying them the place as explanatory elements. In my conception implicit institutions are embodied but this embodiment is not couched on a universal given. Conversely, I maintain that normative content in human social action can be a window into understanding the 'general' structure of human nature; a structure that can adopt varying norms, rules and beliefs depending on the context.

history, is subject to accidental events, and are not products of conscious human intention for reducing uncertainty. In fact, this point is partially also applicable to deliberately established explicit rules whose function is to endow an act with a commonly understood order-giving meaning regardless of whether its actual enforcement reduces the kind of uncertainty to which it corresponds. Instituting a penalty for robbery, to illustrate, does not reduce the uncertainty regarding someone's house getting robbed – such an entailment does not follow by the act of instituting 'protection of private property' as an explicit rule.

On another note, the distinction that underpins the establishment and transmission of explicit and implicit institutions brings the importance of social structures to the fore, particularly in relation to implicit institutions. The process involved in establishing a norm mostly comes down slowly and gradually through time; the norm itself being always in-the-making and evolving presently, yet effective enough to generate a socially significant ordering effect by virtue of the commonality in the social structure that transmits it. Collective deliberation, consensus (or coercion), and agreement (or compulsion) are not present when it comes to how implicit institutions have emerged and presently exist. This is not the case with explicit institutions considering that they are a product of some level of conscious deliberation, consensus-building (or coercion) and communal agreement (or compulsion); not necessarily by those presently acting upon them but the collective nature of it is, nonetheless, re-affirmed presently through some form of common procedure based on a shared knowledge. For instance, all adult members of a certain age being required to take a driving license if they wish to abide by rules governing the act of driving is one such reaffirmation. Explicit institutions are, as such, the products of their historical conditions due to them reflecting an objectively visible form of "constraint" in the environment, which makes them not easily transmittable to other objective conditions unless some measure of mis-adaptation or outright coercion is factored in. Particularly, they can be deliberately changed to better adapt to new conditions by those acting upon them with relative ease when not supported by another factor, such as a belief that holds them sacred.

The dependence on "social structures" for implicit institutions' transmission also means that not all societies transmit the same type of these institutions; which

explains their difference in different societies throughout time and space. In regard to such cross-contextual institutions as 'trust', 'altruism', or 'reciprocity' they are likely the product of some original universal social structure common to a wider human population whose precepts have generated a relatively widespread implicit knowledge of these institutions, making their currently universally taken-for-granted awareness possible. Perhaps there are still cultures on earth that have gone through history autonomously, in a cultural silo vis-a-vis the more widespread universal culture, where 'trust', 'altruism' or 'reciprocity' as implicit institutions are entirely absent.

What is meant by *embodied* in here is that these institutions exist in relation to an act and not as an independent substance (hovering in a platonic realm). To illustrate this point, let us consider 'trust' as a norm that among a community that adheres to a particular form of it generates an ordering effect in social relations. Trust in this community is not a substantive *quality* that constraints individual 'A' and 'B's relationship in an, say, economic transaction by giving it a momentary stability, and trust as a collective institution and in a general sense organizing and ordering the relationship between a multitude of individuals in their dealings. What it means in this community can be defined only as an *intrinsic component* of A's relationship with B beyond which it does not exist (it does, but merely in a nominal sense). The same goes for other implicit institutions that are embodied by individual 'A' and 'B' in reality, their existence coming into being through the actual relational experience and disappearing when not acted upon. This viewpoint suggests that to A and B, an intensional definition of what trust *is* is available by observing it in relation to an act; when trust is *enacted*. Or, more commonly, felt within that relationship. But defining trust in words by them, if they consciously ever contemplate it, requires use of other words or it can be done by posing it in relation to 'distrust', which in themselves require definitions *ad infinitum* – an intensional definition for trust is therefore unavailable to the members of the community – the only population of humans whose subjective experience of trust matters, I think, in a study that treats them as the object.

Institutions in this sense rather than *giving* meaning or constituting/constraining an act, *are* the practical everyday knowledge of these acts that are implicitly present among a collective to whom this definition is mostly made available recurrently in

an embodied way. This point is better understood when implicit institutions are set against explicit institutions (rules, laws and regulations), the latter existing in meticulous linguistic detail in such a way as to counter the norm-based social-structural interpretation that is carried over through individual habitus (it is meant to oppose the human impulse to interpret it based on whim).

Likewise, a separate domain of relationship does not exist independent of the element we call trust in this instance. It is *the* relationship (think of a rope) or a constituent part (a strand in a rope) when conjoined with explicit institutions or other norms such as precautionary reserve, human fellowship, belief in the sanctity of a bond based on a religious principle, or competitive urge based on pursuit of self-interest when all are activated in a single unit of interaction.

Human ability to think and reason to establish a relationship with another human is constituted by a multiplicity of institutions, all of them in a position to get activated depending on the relationship with the objective circumstance (i.e., the proverbial ‘game’ in NIE parlance) – including the norm that suggests humans are self-seeking utility maximisers which can exist in varying degrees in different societies in relation to different circumstances through various manifestations which embody this trait. This makes it incumbent on the researcher for her/his judgement regarding the constitutive influence of any institution (rules, norm, belief) to discover it and not simply assume their presence. This *discovering* act, as I will show in the empirical section, is vital because therein lies important evidence for explaining both the foundational step to enter an action arena (investment in manufacturing in this research) and the subsequent continuation of it. Without it and with an *ex ante* assumption regarding investors as abiding by one universal norm (profit maximization), the research would be perforce limited to explaining the myriad “irrationalities”¹⁸ investors engage in due to their actions not aligning well with what the theory tells. This *presumptive* epistemology replaces what is real with what seems consistent as a logical abstraction – a case of confusing “the things of logic with the logic of things”¹⁹.

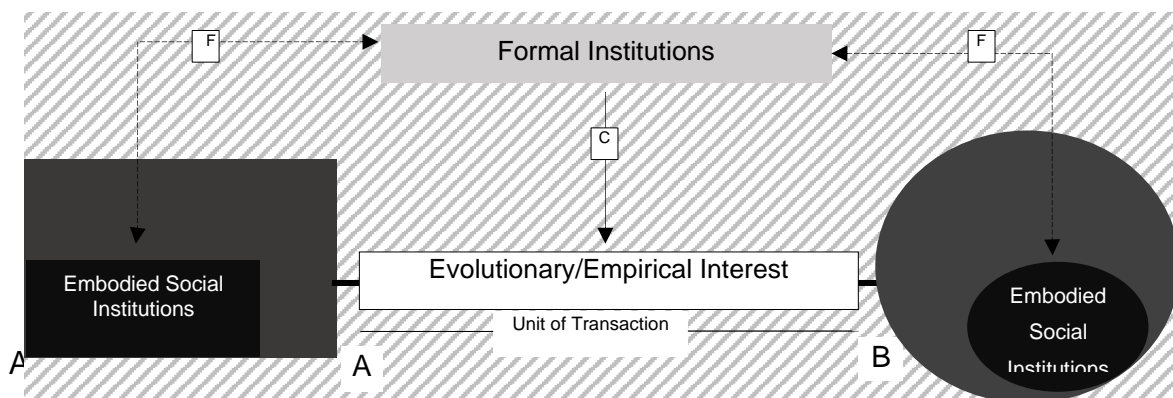
¹⁸ This methodological ‘misplacement’ can be explained by use of a known allegory, that of the person who has lost a needle in a dark room but searches for it outside under the moonlight. Upon a passerby’s questioning of this absurd behavior, he retorts, “but I can see things around here!” NIE, in line with RCT epistemology, locates human nature in a pre-given milieu where it can see it, in an attempt to then construct models based on this ‘moonlight visibility’ – its effort to re-introduce *real* in its theoretical formalizations, therefore, eschews including *real* (i.e., empirical) humans.

¹⁹ A phrase borrowed by Pierre Bourdieu from Karl Marx (Bourdieu 1990; p. 49).

Moreover, conferring institutions a separate existence might allow the researcher to create a generalizable research framework through superposing a particular assumption on the presumed “non-institutional” (so-called rational) part of human behaviour – as Ostrom (2005) attempts to do – but its utility to different contexts is subject to the same weaknesses as is the application of any other framework derived from universalizing assumptions. Considering institutions as ‘embodied’ helps avoid the reification fallacy that concedes a separate existence to implicit institutions; a view that makes it less problematic to also think of them as easily amenable to manipulate or, if not that, to cast aside as an area too obscure and messy for research.

My approach merely places the empirical field where I think it should belong; i.e., institutions as implicit and explicit, the former embodied by empirical humans. By this, I intend to direct focus from research problems which I think are informed by a normative commitment regarding some right set of ‘formal’ institutions; to problems informed by an empirical commitment which I think is necessary for research on humans in their social context to explain, albeit provisionally until a better explanation comes along, their behaviour based on observed regularities in data. This, in itself, bears the fruits of a politically destabilizing critique but at the level of evidence-based theory – in line with what Bourdieu calls ‘socioanalysis’ (Bourdieu, 1990); that is, uncovering what is latent in social life.

Figure 4 - Thesis Institutional Schema



P Legend:

- †† - All Figure 2 and Figure 3 legends apply.
- h - The darker shade of black signifies the domain of embodied institutions, the larger shape signifying the individual her/himself.

social structures is incompatible with the process of change. And individuals have

the ability to change institutions through their learning ability, including being able to learn new norms and beliefs through experiential exposure or through formal means – which can dislodge entirely or moderate the existing institutions²⁰. Early social education (internalized by and shaping habitus) is, moreover, to account for why these norms and beliefs come about in the first place, before becoming pre-reflective and relatively spontaneous through time. The mechanisms of this change as a structured process based on individual habitus will be discussed below.

3.4. Bourdieusian Framework; Habitus and Field

The preceding exploration makes the use of a few concepts apposite to the analysis of data in this research that are mainly developed by Pierre Bourdieu through his empirical fieldworks in Algeria and the Béarn (Grenfell, 2008). These concepts' role is to situate institutions (here I move the discussion toward the implicit form of it given their significance in the research) in social structures. The central device for this purpose is habitus primarily but also *field* (a social 'microcosm') and different forms of *capital* ('economic', social, cultural, and symbolic). A fundamental distinction of Bourdieu's 'theory of practice' is his break with substantial concepts that privilege *things* over relations which tend to reify the social order, and to essentialize social phenomena (Mohr, 2013). He puts forward a relational epistemology that studies the agent within mutually constitutive effects of idea and corporeal practice. Bourdieu's concepts are better understood as "heuristic devices" according to David Swartz (1997: 5). Through the lens of Bourdieusian concepts, I identify "active institutional elements" (AIEs hereafter) to develop an operational conceptual framework for analysing patterns in research

²⁰ How education achieves normative moderation or the dislodging of the primacy of a norm (say gender binary) may partly depend on a process I characterize by theorizing the following three conditions: normative dis-equilibrium (preferring but not persuasively in support of gender binary), normative indecision (explicit denial of knowing whether gender binary or its negation the 'right' norm) or normative doubt (explicit questioning of whether gender binary the 'right' norm). Each of the above is liable to lead to a subsequent state of normative moderation or dislodging. I should note that this explanation is only partial and does not include normative stability (only accepting and making explicit the negation for gender binary) which is likely to lead to a rejection of the process of change or normative relapse following a period of change.

I will leave this for future discussion, but tentatively and as a sketch, I postulate the following salient causes of institutional change: a) contingent events: events occurring in nature (including in human society) regarding which internalized pre-reflective institutions are unprepared; e.g., an unforeseeable viral pandemic that overwhelms any number of previously held norms and beliefs; b) exogenous institutional overlaps: the process of gradual encounter between an individual's norms and beliefs with new laws and regulations, education (including formal and informal, the latter encompassing tacit and explicit forms of social knowledge), and other individuals' norms and beliefs; and c) exogenous material change: the process of growth of economic resources and technology leading to exposure to new sets of opportunities and experiences previously unattainable or unavailable.

data. Alluding to the multiplicity of embodied institutions, by “active institutional elements” I suggest the prominence of the norms that are active in a single unit of social event. I use AIEs to explain the knowledge of professional opportunities transferred in an embodied lived experience through the effects of institutionalized behaviour of individual habitus.

To take a step back, considering institutions as embodied “rules and roles” (a la Lukes, 1968) in any unit of social interaction, the question arises as to where lies the source of the cognitive and embodied form of institutions (i.e., implicit institutions) considering that explicit institutions are enforced by some form of coercive apparatus? How to tie these institutions with habitus and field, themselves aspects of social structures? For an answer, let us return to Bourdieu’s definition of habitus as:

“...systems of durable, transposable dispositions, structured structures predisposed to function as structuring structures, that is, as principles which generate and organize practices and representations that can be objectively adapted to their outcomes without presupposing a conscious aiming at ends or an express mastery of the operations necessary in order to attain them. Objectively ‘regulated’ and ‘regular’ without being in any way the product of obedience to rules, they can be collectively orchestrated without being the product of the organizing action of a conductor.” (Bourdieu, 1990: 53)

This system operates as a “structuring structure”, that is, it operates as a:

“System of circular relations that unite structures and practices; objective structures tend to produce structured subjective dispositions that produce structured actions which, in turn, tend to reproduce objective structure.” (Bourdieu and Passeron, 1977: 203)

Most consequentially shaped during childhood (i.e., early socialization), Callinicos suggests that habitus is not thought of as anything near consciously held beliefs, but is “quite literally embodied”, and can be articulated as “social necessity turned into nature, converted into motor schemes and bodily automatisms” (Callinicos, 2012: 296). This “motor scheme” is then present in tastes, in the ways people

comport themselves outwardly, dress, and make distinctions. Habitus functions unlike an explicit grasp of a proposition but as an implicit competence, a practical ability in actors to deal with a range of situations which cannot be reduced to the conscious observation of a set of rules. Understood as internalized 'dispositions', some products of habitus generate socially significant order among individuals in a social interaction, wherein lies the birthplace of implicit institutions. Objective social structures "deposit" (à la Bourdieu) in habitus all forms of practical capacity, including socially institutionalized behaviour.

Even though habitus' 'production' implies the generation of subjective dispositions that also underlie institutionalized practice that reproduce the social structure that was the initial cause of its production. However, in a constant dialectic between habitus and its institutionalized practices, "there is constantly created history that inevitably appears, like witticisms, as both original and inevitable", given that the dispositions of habitus "can be a source of mis-adaptation as well as adaptation, revolt as well as resignation" (Bourdieu, 1990). In other words, the conditions producing the habitus are reproducible in a near-circular way only if the conditions of its functioning are identical and "homothetic" with the original structure. The progression from social structure structuring human disposition (habitus) to the structured structure reproducing the original structure does not proceed neatly and is mediated by the objective conditions in whom the "conductorless orchestration" of habitus functions as a scheme of practice that is pre-reflective, a level below consciousness and language and "beyond the reach of introspection or control of the will" (Bourdieu, 1984: 466).

To better explain adaptation and distinction (reproducing the social structure or deviation), Bourdieu explains habitus as a system of dispositions that is marked by "virtualities, potentialities, eventualities", and – only in reference to definite situations. It is only "*in the relation* [emphasis in original] to certain structures that habitus produces given discourses or practices" (Bourdieu and Wacquant, 1992: 135). Meaning, from this set of "virtualities, potentialities, eventualities" any number of decisions can spring up (e.g., two members of the same family taking vastly diverging paths in life even though the conditions that structure their dispositions during childhood are largely similar).

Habitus is not always determinant of the agent's social practice and can be superseded by moments of crisis, explicit rules or situations where "the stakes are so high and the chances of rift so great that the agents dare not rely entirely on the regulated improvisation of orchestrated habitus" (Bourdieu, 1990: 182). These instances do not permit for habitus' spontaneous adjustments and require conscious calculation or explicit obedience for their resolution. Yet, even in such moments the responsiveness is said to be adapted to the strategies in whom the effect of habitus is discernible (Swartz, 1997). Hence, habitus can produce both institutionalized practices and anti-institutional ones, social and personal behaviour. It is the institutionalized form that is the focus of this research.

Habitus is part of Bourdieu's social scientific epistemology; a science that according to Michael Grenfell is based on a "*coincidence*" [emphasis in original] between an individual's connection with "both the material and the social world" that consists of the "structures of the primary sense, feeling and thought – the intensional links that are established between human beings and the phenomena, both material and ideational, with which they come into contact" (Grenfell, 2008). Grenfell writes that "this phenomenological structural relation is a product of environmentally structural conditions that offer objective regularities to guide thought and action – ways of doing things" (Grenfell, 2008). The *structured structure* implies a non-static state of this mechanism, while the *structuring structure* quality gives it its generative potential to produce thought and action.

Regarding the question in hand, the term captures the twin factors of structure and agency underlying institutionalized behaviour. Insofar as it operates merely as a thinking tool, the concept does not presuppose a substantive epistemology by building a model that works from an essentialized "structured structure" as a universal structure that traverses time and space. Hence, the only instrumental rationality in RCT is replaced by it with a richer, yet taxing, epistemology that accommodates for a multiplicity of 'instrumental' rationalities, including but not limited to the one seen as the main rationality in RCT. Hence, the concept relies on empirical research to give it analytic efficacy. This is necessary to rescue research from one particular epistemological pre-occupation – that of basing all explanatory elements on 'ersatz human' at the micro level as the legitimate unit of analysis (Lukes, 1968). Research on real humans would require taking the context

of reality seriously, including its messiness that mostly evades parsimonious unitary explanatory elements.

To summarize the point on habitus, pre-existing social structure structures individual's behaviour, way of understanding his environment, perceiving, and appreciating rules and roles, which then reproduce the structures through the individual agency (her/his *strategy*) that produced them only if the conditions are homothetic. Social dispositions liable for transfer guide and structure individual decisions in ways that are not consciously realized. They don't function as limits to some abstract form of rationality. They are constitutive to the extent that they are the orienting motives of individuals *per se* and not as *a priori* and consciously designed conditioning factors.

"Field" (*champ*), on the other hand, is another concept that Bourdieu develops with which he intends to bring habitus in contact with the objective conditions of practice. He defines field as:

"...a network or configuration, of objective relations between positions. These positions are objectively defined, in their existence and in the determinations they impose upon their occupants, agents or institutions, by their present and potential situation (*situs*) in the structure of the distribution of species of power (or capital) whose possession commands access to the specific profits that are at stake in the field, as well as by their objective relation to other positions (domination, subordination, homology, etc.)" (Bourdieu and Wacquant, 1992: 97)

The concept delineates the multiplicity of relatively autonomous "social microcosms" of objective configurations that form the totality of the "social cosmos". It is the "objective network and configuration of relations" (Grenfell, 2008) in Bourdieu's theory of practice. While habitus is structured by the objective conditions of the field in an ongoing process, the field itself is understood through the prism of habitus. The structuring structure (field) is therefore understood through what it actively produces (habitus):

"On one side it is a relation of *conditioning* [emphasis in original]: the field structures the habitus ... on the other side, it is a relation of knowledge or

cognitive construction. Habitus contributes to constituting the field as a meaningful world.” (Bourdieu and Wacquant, 1992: 127)

The concept of field has seemingly grown out of a concern to deal with highly differentiated societies due to the concept of habitus being inadequate for this task, a concept that was initially conceived to deal with the Kabyle in Algeria during Bourdieu’s early anthropological work (for elaboration, see Swartz, 1997: 95–142). Its use in here is warranted as part of the application of Bourdieusian framework to go some way in constructing the “social microcosm” of manufacturing sector in Kabul’s economy. With the concepts of habitus and field, Bourdieu aims to resolve the dichotomy between the strictly rule-based structuralist and anthropological account of human action – the ‘infinite textuality of social life’ – and that of existential free-to-choose version based on personal volition – the epistemology of universal rationality of RCT underlying methodological individualism²¹. With this, he theorizes the ‘strategy’ individuals apply that are explained neither entirely on rule-based total obedience nor on calculative choice but on an adaptation of expectations to the range of possibilities, the *practical* knowledge of which is made available through the lived experience in an objective condition.

This conceptual lens situates the interestedness of individual agent in the social context of her/his being; that is, private investor’s interest even in a domain ostensibly ‘economic’ such as manufacturing, is a structured and structuring practice according to a Bourdieusian framework. If interest is understood in a sociological sense of being the multi-faceted motivational engine behind the actions of any individual agent in society (Grenfell, 2008; Swedberg, 2003), every individual agent action is purposive and interested whose definition is irreducible to computational and calculated utility-maximization. This flows from an epistemology by which human rationality (the subjective element) and physical conditions of her/his being (the objective element) are explained by building a framework that constantly works back and forth between the two layers (Grenfell, 2008). It treats human subjective functions in an embodied objective existence and the objective functions of his material existence as a reproduction of the subjective. In a simplified sense, “thinking process” is the thinking process of an

²¹ Not that he disregards this conscious capacity (see Bourdieu and Wacquant, 1992: 130–135), but considers it reductionist to *assume* it as a universal tendency as an epistemology – the one that treats humans as uniform and easily replaceable automatons.

object while the object is the basic component or production of the thought process. In short, we think *because* there is an object to think about, without which the thought process would not be possible²².

This may appear a commonplace proposition. But I maintain that this epistemology has an important effect for research regarding what Patrick Murray (2020) calls a “reproducible provisioning process” in a society (i.e., the economy). By admitting to see the economy as constituted by “definite forms” of life-expression or mode-of-life [*lebensweise*] as stated by Karl Marx and Friedrich Engels in *The German Ideology* (1998), research is extricated from remaining committed to “thought processes” with little in the way of historically specific objective evidence to stand on.

For an institutionalist reading of social practice, application of a Bourdieusian framework opens the possibility of building the normative and rule-based contents embodied in human action, including the calculation of “cost and benefit”; viz, use of the framework makes it necessary to ask where any particular content comes from. The concept of habitus and field together with four forms of ‘economic’, symbolic, cultural, and social capital in line with his “theory of practice” explain *institutionalized* ways of conduct. Formally, Bourdieu states his theory of practice with the following equation (Bourdieu, 1984: 101):

[(habitus)(capital)] +field= practice

The equation encapsulates the relation between the individual habitus, the forms of capital used, and the field as a result of which practice in that field is produced. According to this formulation, practice is produced when the individual disposition (habitus) meets her/his position in a field, using the available form of capital, within the current “state of play” (Maton, 2008) of that social arena (field).

²² In some Sufi mystic traditions in Central and Western Asia, even consciousness of metaphysical phenomenon such as God is said to rely on an apprehension that is couched on some already available awareness at the human level, an idea that found one of its first theorization in the West by Ludwig Feuerbach (1841) in his *The Essence of Christianity*.

3.4.1. Three Forms of Capital

Bourdieu defines capital as “accumulated labor²³ (in its materialized form or its ‘incorporated,’ embodied form) which, when appropriated on a private, i.e., exclusive, basis by agents or groups of agents, enables them to appropriate social energy in the form of reified or living labor” (Bourdieu, 1986). In a Bourdieusian sense capital implies “power, or the capacity to achieve certain ends via the activation of suitable dispositions in certain conducive contexts” (Jain, 2015). The three, non-‘economic’²⁴, types of capital Bourdieu conceptualizes are symbolic, cultural, and social.

Symbolic implies an ‘autonomous mode of perception and appreciation’ according to Bourdieu, which operates according to its own logic separate but based, in the final analysis, on ‘modes of production’ and physical capital in the economy (Bourdieu, 1990). Symbolic capital is “to be understood as economic or political capital that is disavowed, misrecognized and thereby recognized, hence, legitimate, a ‘credit’ which, under certain conditions, and always in the long-run, guarantees ‘economic’ profits” (Bourdieu, 1980). The practices associated to it “can only work by pretending not to be doing what they are doing”. Reducing this practice to either ‘self-interest’ or ‘dis-interest’ would be a misreading of it – given that it functions “by virtue of a constant, collective repression of narrowly ‘economic’ interest.” This form of capital to the holder exists in the form of “a capital of consecration” – the ability to consecrate an object.

Bourdieu posits that in a society that refuses the objective truth of economic practices, that is, “the law of ‘naked self-interest’ and egoistic calculation”, even the ‘economic’ capital cannot act independent of some conversion that renders it efficient but through *symbolic representation* that is seen as legitimate (Bourdieu, 1990: 118). Symbolic capital helps to disguise the material pursuit by making it seem disinterested and driven by a higher cause (Swartz, 1997: 43). Viewing social life as an arena for constant struggle for “rare goods” (Bourdieu, 1990: 141), Bourdieu points to the struggle to find *legitimate* ways of representing the

²³ This notion is close to and builds on the notion of capital developed by Karl Marx (Swartz, 1997: 74).

²⁴ Bourdieu uses inverted commas to mean economy as usually understood – the realm of material production and exchange. I have used the same method in the thesis to distinguish between ‘economic’ (as only understood in the usual sense) and economic (as containing the avowed and disavowed, the social and the cultural forms in addition to ‘economic’) forms of capital.

distribution of capital in its many forms – representations that are laden with power-relations and can either sustain or subvert capital's distribution.

Social capital, on the other hand, is defined by Bourdieu as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” or, in other words, “to membership in a group” (Bourdieu, 1986). In this conceptualization social capital consists of “power potentials residing in group membership” (Bourdieu, 1984, 1986, 1998; Häkli and Minca, 2009), and it takes explicit account of relations, dispositions, and social context of the accumulation of social capital as a form of economic capital. What allows for a creative use of social capital in a Bourdieusian framework is that it functions as a thinking tool as against a substantive device for investigating the possibility of a desired outcome²⁵.

Social capital is immaterial, mobilized and accumulated through an investment (not in the monetary sense of calculated intention for gain but through the logic of emotions), which is usually not consciously established with the aim of convertibility to ‘economic’ capital. Membership provides the person with a collectively owned capital or ‘credential’ which entitles her/him with credit, in the various sense of that term (governed by the logic of knowledge and acknowledgement). Social capital may exist only in a practical state in material or symbolic exchanges that constantly renew and maintain them or, they are socially instituted through a common name (a family, clan, a school, a party, etc.). In the latter form too, social capital is really enacted and “reinforced” through the exchanges that at any present moment are latent and possible through membership. A social network, according to Bourdieu, is not a natural given or a social given that is sustained only based on an initial act of institution but is the product of “an endless effort at institution ...an unceasing effort of sociability, a continuous series of exchanges in which recognition is endlessly affirmed and reaffirmed” (Bourdieu, 1986). It is a product of investment strategies, individual or collective, consciously, or unconsciously, aimed at reproducing social

²⁵ In mainstream usages of the term it is reduced to an apolitical and benign substantive quality in formal institutions summarised as ‘trust’ (for mainstream views on social capital see Coleman, 1990; Putnam, 1993; Fukuyama, 1995; Ostrom and Ahn, 2009; Ferragina, 2010; Svendsen and Svendsen, 2009, for early 20th century use of the term see Hanifan, 1916; for a critique of the mainstream view see Hyden, 1997; Van Deth, 2001; Harris, 2002; Schuurman, 2003, for a Marxist critique of Bourdieu's use see Fine, 2000).

relationships that are usable in the short or long-term. It is accumulated through transforming contingent relationships (neighborhood, workplace, or even kinship) into the ones that are at once necessary and elective, that are felt subjectively (gratitude, friendship, respect, etc.) and institutionally guaranteed (rights).

The volume of social capital depends on the size of the network the agent can mobilize. It is the profits accruing from membership in a group that guarantees the group's maintenance; profits of belonging to a group that leads to a guarantee of the group's perpetuation albeit not consciously designed toward that end. A person does not consciously become member of a kinship group, for instance, with mathematical calculation of cost-benefits, and to expect material benefits from affective or reciprocal exchanges some time through the history of her/his membership.

The other concept used by Bourdieu in his 'general theory of the economy of practices' is cultural capital, referring to accumulation through 'self-improvement' or 'unconscious inculcation' (embodied), objectified symbols (pictures, books, dictionaries, instruments, machines, etc.), or institutionalized legal guarantees of recognition (institutionalized). Each one being convertible to the other but having the 'economic' capital at their roots, but not entirely reducible to its 'economic' dimension which Bourdieu criticizes as "economism" (Bourdieu, 1986). This form of capital is accumulated through time and exists in an embodied and incorporated capacity – it is the outcome of a labor of "inculcation and assimilation" which, by that fact, costs time to develop. Its incorporated quality distinguishes its mode of accumulation from 'economic' capital due to the reason that the task of accumulation cannot be delegated; i.e., the process of "self-improvement" must be undertaken personally. This form of capital mainly functions as an informational capacity that is in-built and incorporated through (but not limited to) a hereditary process.

The different types of capital can be derived from or transferred into 'economic' capital, but with more or less effort at transformation to produce the type of power needed in a particular field. For example, certain goods and services can easily be accessed with 'economic' capital, others can be accessed only through a social capital of relationships which cannot act instantaneously. They have been

established for a long time without any declared ulterior purpose and beyond the period of their necessity. Other “disavowed” forms (symbolic forms) of capital have their roots in ‘economic’ capital, or they derive their currency from it. However, these other forms are never entirely reducible to the ‘economic’ definition and produce their specific effects to the extent that they conceal (not least to the possessor) its economic roots. As such, there is no wastage of resources and labor time in this theory of capital. A customary reinforcement of social capital not meant for any, but its own intrinsic purpose can turn out to be a reliable resource when mobilized. The convertibility of different types of capital is at the basis of the different strategies of reproducing capital (and one’s position in the social space), which happens either with more or less cost, with more or less loss, with more or less concealment.

3.5. Operationalizing the Framework; Constructing the ‘Mega-Structure’

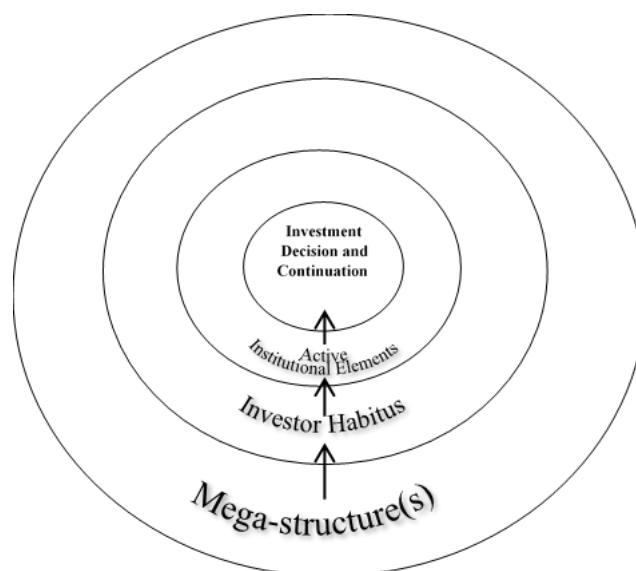
This section develops the institutional analytical tools by examining the location where the dispositions of habitus are formed in the context; i.e., the ‘mega-structure’ patriarchal family in Kabul. By calling it this way, I imply a ‘principal’ structure among a set of structures that temporally precedes other structures and within which most of the early socialization takes shape and develops. The nature of the genesis of habitus, as put by Bourdieu, entails a “chronologically series of structures in which a structure of a given rank-order specifies the structures of lower-rank order.” (Bourdieu and Wacquant, 2007: 133). As we move backward from present and reconstruct the series of structures that overlays new dispositions on individual habitus, we come across certain salient social structures that help in unpacking individual human practice in a given society (much like peeling an onion to get to the core). These structures also provide a picture of what Bourdieu calls ‘objectivities of the first order’; i.e., “the distribution of the material resources and the means of appropriation of the socially scarce goods and value” (Wacquant, 2007).

For reasons explained below, I locate the objectivity of first order in Afghan society in patriarchal top-down family structure, where I seek the micro-analytic tools to explain individual professional behaviour through her/his habitus. To locate micro-analytic tools in the family structure is, again, inspired by the sociological method

of Bourdieu by which he meant an “art of thinking phenomenally different things as similar in their structure and functioning and of transferring that which has been established about a constructed object, say the religious field, to a whole series of new objects, the artistic or political field and so on” (Bourdieu and Wacquant, 2007). The “constructed object” is what I intend to pursue in this section.

By adopting habitus and field as the two principal tools, my aim is to identify, through a review of literature and personal observation²⁶, the effect of active institutional elements (or AIEs) on manufacturing activities as derived from ‘mega-structure’ family, a structure which holds roughly coherent prominence and is temporally prior in structuring individual habitus in Afghan society, prior to coming into contact with the realities of the field of production itself. Elements of the field are the more concrete-level sector specific structuring structures that structure and are dealt with by the investor habitus through constant encounter (the outcome of this is empirically observed in how the adaptive strategies to ensure enterprise continuation have developed). This procedure of arriving at the micro-analytics of institutions to explain the investment decision and subsequent dealings in the production field – in a crude sense and without accounting for feedback relationships – is illustrated by the following diagram:

Figure 5 - Strategy for Operationalizing Conceptual Framework



²⁶ As explained in the note on positionality in the *Methods* chapter, the overlap of my personal life observations and this research project can be a positive potential in the form of unsystematic tacit social knowledge rich with nuances and detail – which I give structure and bring to effect academic value through a fine-tuning process involving review of secondary sources.

3.5.1. Family Structure

The common 'mega-structure' family – extolled as the “highest seat of morality” by Durkheim (Durkheim, 1984: xlv) – provides the environment through which an early understanding of the environment is transmitted to an individual. 'Life-in-family' from birth to the stage where formal education begins, involves introduction to language which operates as the main transmission conduit for “socially constructed reality” (see Berger and Luckman, 1966), among others. Learning words, its contents and semantics, and picking up the way language is used to convey meaning brings with itself the beginnings of social education – also determining educational aptitude in later years (Brandone et al, 2006) –, establishing the relationship between the individual and the environment through a first-hand encounter that, as its necessary feature, entails awareness of objects, both material and ideational, and constitutes one important aspect of the formative childhood years. Early childhood age that begins from birth and continues until 8 years of age is also “critical for cognitive, social, emotional and physical development” because the brain at this stage retains the greatest degree of responsiveness to and absorption capacity from experiential input, a capacity that decreases with age (UNICEF, 2012).

Hence, during early childhood relatively undiluted structures transmitting dispositional attitudes and the general proclivity toward life opportunities can be found and they are few which makes them tractable. The further removed the individual's life process from this initial point, the more likely that the set of field-based structuring structures that come into a dialectical relationship with habitus becomes diversified, making tracing all of such structures dependent on longitudinal case studies on each separate individual – something not intended in this research²⁷.

Life-in-family can continue in some cultures into adolescent and adult life. In many developed societies the mega-structure is intermixed, including the 'family' and educational input from non-family sources at an early stage of the process of habitus' formation. This happens through 'formal' state or non-state systematized education and 'informal' societal exposure. The former including pre-school (a

²⁷ My exploration of the 'mega-structure' family merely serves to find out the relevant substances of habitus relative to the particular objective practice of manufacturing sector investment and enterprise continuation.

system originating in late 18th century Western Europe), primary, secondary, and high school. The latter including entertainment-educational media, child and adolescent TV programs and entertainment, novels, music, etc., as well as life in the community and most recently, social media – exposed to its effects if not being its active users in early childhood. Formal education can begin early on and in countries where pre-school system is common, this educational input can begin soon after birth²⁸. On the other hand, the coincidence of early childhood years and onset of informal education can differ and depends on permissive or insulating factors that limit or allow a child's exposure to such societal input, the most important being the control parents and the family environment can exercise to allow or suppress it.

Depending on the study context, for application of habitus as a framework, seeking the mega-structure(s) that is – if not comprehensively – to a good degree in the lead during early childhood and is elemental to how early socialization is shaped, would help the current inquiry as a window into explaining decisions in the professional domain. Provisionally, a method of exclusion can be adopted to deduct from a set number of structures to arrive at the primary one, including the broad categories a) family, b) formal-educational, and c) societal-educational (or informal). I should add that this is not a definitive list, neither does it include the complex details each category contains. The relative weight of any of the above can lead to a clear delineation of the scope of their development and range of influence in any society, also helping in identifying the effects of institutions germane to particular decisions of an individual, early on or later in life.

In this study and for the purposes of operationalizing the framework to a workable degree, it is less likely that 'societal-educational' factor could have produced a structuring effect on habitus more than the other two categories. This is partly due the common practice in Afghanistan of providing an environment of early age that is protected by an insulating barrier erected by family and kinship group due to a religio-conservative puritan concern (or simply a cultural attitude) for proper upbringing; mixing and socializing often seen negatively as improper frivolity

²⁸ In France, Hungary and Israel, for instance, compulsory school begins at age 3 and before that children are sent to preschool. In majority of the Organization of Economic Cooperation and Development member countries (a club of 37 most developed economies in the world), pre-school begins early on and school age falls anywhere between 3 to 6

(*kocha'gardi*) even and particularly during adolescence. This is apart from the fact that factors exposing children to societal education of some of the aforementioned kinds (particularly related to entertainment) are often present as an 'added bonus' to material well-being in societies where economic development allows for their propagation (Afghanistan being, to the contrary, predominantly poor and rural). Although 'formal-educational' category is more common due to government-run schools and traditional madrassas in villages in Afghanistan that are often free of charge, this element enters an individual's life fairly late and after a great deal of formative years is spent in the family environment. Average schooling age in Afghanistan is 7 and even after entering school, the short time spent in learning per day involves a few hours of consecutive teaching under strict discipline. Pre-school system is uncommon. Very few private kindergartens have been established in the post-2001 period in Kabul that usually charge a high fee which limits their accessibility to those who can afford.

The mega-structure 'family' (the group of people brought together by consanguinity or affinity) remains the most apposite category to gain a relatively accurate depiction of the process of an investor's habitus formation in Kabul. I should add that an investigation of all aspects of the family unit in Afghanistan is secondary to the research concern. As Parsons has rightly suggested (1955: 35), "we must not forget that the nuclear family is *never* [emphasis in original], ... an independent society, but a small and highly differentiated subsystem of a society." An adequate understanding of the family unit would require some effort at reconstructing the objective structures in the context to a good degree that would represent "Afghan society" as a whole – which, again, falls outside the scope of the present research.

A word of caution might be needed. By the application of a typology of the Afghan family structure in the thesis I do not wish to reinforce the generalizing tropes regarding Afghan society, in a fashion that is aligned with pre-given concepts that are problematic from a methodological standpoint (similar to other such *a priori* concepts). It is meant, rather, to merely describe the positive (real and empirically researchable) properties of this structure in relation to present resource allocation. Most important, this typology is meant to bring nuance to the RCT (or bounded rationality) version of individual economic motivation underpinning EEA. As such, it should be taken as a provisional and historically contingent instrument in method

that reflects present objective reality in a retroductive research strategy, without presuming an essentialized “Afghan family structure” that is uniform and permanent (a timeless social unit associated to a supposedly unchangeable ‘primitiveness’). A researcher might have to seek other sources of the formation of habitus in another historical period in Afghanistan depending on what patterns in inductive data at the time reflect – habitus being always in flux and never permanently determined.

3.5.2. Quranic Injunctions

Owing to the prohibitive codes of propriety in Afghan society as an obstacle to longitudinal anthropological research, particularly when it comes to being in regular proximity with women²⁹ inside the house, the ‘Afghan family’ largely remains a little-known area. Much has been said in generic terms about the Afghan society, but accounts are lacking that describe in detail the dynamics inside this form of family where individual habitus and through which, an embodied understanding of norms, beliefs, conventions, and rules are transmitted. I have remedied this lacuna by considering the *mutually* constitutive effects of another structure on the family structure itself; namely, Quranic injunctions as the written form of the main religious belief, Islam, in Afghanistan.

The constitutive effect of Quranic injunctions and family is mutual because, despite the former’s effect on Afghan social code in general, it is not a cohesive unitary norm, neither a unitary belief system in objective form. Islam as preached through textual and hierarchical authority and as practiced in action is usually refracted through myriad societal particularities which leads to myriad forms of syncretism. Particularly in its first three centuries of emerging as a religious and political ideology in the Arabian Peninsula, Islam had to thread a “diverse cultural geography” in Late Antiquity differentiated along regional centres in Arabia, the Islamic east (greater Iran), Syria, Egypt and the Iberian Peninsula and North Africa (Robinson, 2010; Daftary, 2010), and encounter progress that pre-Islamic civilizations, notably Byzantine and Sassanian empires, had already built and set in motion. Islamic legal doctrine presently knows many “schools” (*madhabs*) that

²⁹ In one very recent anthropological study by Andrea Chiovanda (2015) in the eastern city of Jalalabad, the researcher has had to concentrate entirely on male participants because of the strictly enforced tradition of female segregation (*parda*).

bear important distinctions in how minor details as well as larger principles pertaining to rights and obligations are administered (for detail, see Hallaq, 2005). The important distinction between the broad Sunni and Shi'a categories are, for instance, based on such significant topics as the purpose of creation and the nature and scope of political authority, which has given rise to concomitant political implications in modern world (Nasr, 2007). The complexity of Islamic ideology is compounded by the frequent encounter of early Islamic theology with philosophical traditions from its neighboring civilizations, giving rise to further forms of syncretism and mystical traditions (Fakhry, 2000), later having to also come to terms with modernity that has led to present adaptations with divergent outcomes (Soroush, 2009).

An absolutistic Islamic law approximating the structuring of the family environment might seem logically plausible by a considerable stretch of the imagination but is objectively unavailable. Neither would the opposite seem true – the family absolutely structuring religious practice. A mutual structuring effect between them therefore seems the more suitable analytical ground while granting Quranic injunctions relative priority given its overwhelming normative supremacy. It should be added that Quranic injunctions are not relied on directly as analytic tools. The teachings are used to only construct the environment of family structure which is the objective concrete medium in social reality that shapes investor habitus. Hence, Quranic injunctions are helpful to the extent that they help this methodological purpose.

It might be asked “why not Quranic injunctions as the mega-structure?”. In answer, it should be said that Islam as a belief system is transformed into a socially significant reality *through* the family structure as a more coherent social sub-system that refracts the textual precepts of this religion (see Marsden and Retsikas, 2013). A small minority among those adhering to Islam might learn the textual precepts without any intermedial institution, having attained the authority to do so in the absence of mediation by a ‘gatekeeper’; i.e., ecclesiastical authority who relays the ‘right interpretation’ (a *mullah*, *mufti*, *marja-i taqleed*, *mof'faser*, etc.). The majority have a cultural understanding of the religion and many, in fact, might explicitly espouse non(ir-)religious views and practices yet grow up within social structures that have developed through an interaction with religion's

influence. Hence, considering the family as the mega-structure appears more appropriate given it represents the objective domain where habitus' development can be traced among the religiously non-specialist majority (the specialist further honing its societal effect by learning).

The picture from this exercise is admittedly partial. To supplement it, I have relied on literature on Afghan society, and on my own observations as a member of the said society. The analysis, therefore, has retroactively constructed with the aid of the limited amount of secondary data on Afghan family, my personal observations, and through extrapolating from religious injunctions, an ideal type of a 'family structure' in Afghanistan – granted with many gaps to be filled with subsequent research. Without straying off from the research purpose, I narrow down the focus to those institutional aspects of habitus embedded in the Afghan family structure that have had a bearing (as will be explained in the empirical section) on the investment decision, the subsequent continuation of the investment, a perception of the field of production, and the adaptive strategies that have developed within production units to ensure continuation of the production unit.

To begin, certain generic inscriptions can be ascribed to the category 'Afghan family structure' in a socio-cultural environment that is predominantly "patrilineal, patrilocal, and strongly androcentric" (Chiovanda, 2015³⁰). The family is arranged along a hierarchy that begins on top often with a male member which I call the 'authority figure' given his final say on domestic decision-making and descends in the order of importance with mother and elder brother a level below, and the remaining members according to age and gender, further extending to immediate relatives (uncles, aunts, first cousins), non-blood relatives (through marital bond), and the kinship group. This hierarchy is the preliminary terrain of habitus' formation regarding power within and without the family. Those not fitting within this structure are treated as transitive; i.e., the relationship is not as permanent/stable as the relationships of consanguinity.

³⁰ Although the research by Chiovanda (2015) focuses on Jalalabad city, I maintain these properties are suggestive of a wider pattern in Afghan society; albeit, varying according to the city and most often the ethnicity in how intense these properties can manifest.

In a study of marital traditions among the Maduzai clan of the Durrani Pashtun tribe in Northern Afghanistan during the 1970s, Tapper (1991) documents that each household in this community forms an autonomous unit with an authority figure in control of all affairs. Descent is defined by a strictly patrilineal structure, the transmission of property and status is through a male member, none happening through women except perhaps the claim on their father's estate that can be attributed to their trousseau on their first marriage. Men control the behaviour of the household women whose interests, when diverging from the family interest, often remains hidden from public view and rarely, if ever, give cause for intransigence. While generalizing the findings on one tribal community of one ethnic group on 'Afghan family structure' might be problematic regarding all its aspects given group-based differences, the male-dominated hierarchy it refers to is nonetheless illustrative of a broader cultural trend:

“Durrani discuss the control of resources in the language of honour and shame. A man's prestige – that is, his honour – depends on his ability to manage and defend human and material resources.” (Tapper, 1991)

Family and kinship are thus vital for managing the livelihood strategy, including in such areas as cross-border trade where family ties buttress commercial links (Marsden, 2016). Although the intensity of authority by a male member (often the father or the eldest son) on different domains might have witnessed change during the 20th century as a result of various attempts at top-down state-led transformation of rights, particularly women's, and owing to the dislocations caused by the effects of decades of war and the post-2001 relative stability (Kandiyoti, 2005), as well as the effects of migration on gender identity (Oszweska, 2015), the hierarchy in-charge of livelihood applied in the thesis nevertheless reflects a sufficiently common extant reality to be useful.

The 'economic' task involving outside work is *generally* associated with male member(s) within this structure. As Julie Billaud documents (2015) some Afghan families even make up a boy to work outside if they do not have one by dressing a daughter like a male and by assigning her a new gender identity in society – which is kept strictly confidential not to spoil the stratagem. Women might get to work specially at a certain period of their lives in bigger cities like Kabul but most often fall back on the traditional role of managing the domestic affairs of the family

after marriage, particularly with the birth of the first child. Such a division of labour, apart from its 'economic' structural underpinnings³¹, is closely aligned with the religious precepts as will be enumerated below.

In the context of an Afghan family, the individual comes into contact with the structuring effects of Quranic injunctions as Islam's most sacred text, the knowledge of it transmitted often through non-specialist, tacit or, sometimes, explicit ways as a *social* knowledge or *ways of doing things* that is transmitted from one generation to the next (Berger and Luckman, 1966). This forms the basis for an elaborate and structurally pre-eminent social ethos that, even though it orientates individual behaviour, including in the productive domain, they do not resort back to its textual form (Quran in this case) for legitimation on every instance. It retains the efficacy of a 'pre-reflective' social structure within which the 'common sense' of society resides and interpretation of social reality is made possible.

These injunctions are often implicitly in-built into implicit institutions. Some Quranic injunctions underlie explicit institutions (e.g., usury) which, evolving through many generations of practice, seem to have led to an implicitly transferred institution (non-interest-based credit). The injunctions regarding the family hierarchy are particularly determinant, beginning with the inviolability of the parents' commanding position. In the Quran believers are ordered to: "...revere God whom you ask about, and the parents." (Quran, 4:1). A further insistence is given in the following verse:

"... and be good to the parents, and the relatives, and the orphans, and the poor, and the neighbour next door, and the distant neighbour, and the close associate, and the traveller, and your servants. God does not love the arrogant show-off." (Quran, 4:36)

The notion of respect toward and "being good" (*ehsaan*) to parents is repeated in seven places in the Quran. In them it is ordered that children should respect, act deferential, pray for, and do not cause grief to their parents. The duties of mother

³¹ For instance, the wife might still be able to continue a post-birth professional life if, on minimum: 1) the state policy and regulations actively encourages it by post-birth paternity leave, 2) guaranteed maternity leave and retransition to professional life, 3) there are enough number of pre-schools widely accessible by most citizens, and 4) they are affordable.

and father, however, are not the same toward their child, delimiting their areas of responsibility as indoors and outdoors respectively:

“Mothers may nurse their infants for two whole years, for those who desire to complete the nursing-period. It is the duty of the father to provide for them and clothe them in a proper manner...” (Quran, 2:233)

This gender-based hierarchy of power is brought to relief in the Quranic chapter dedicated to the topic of “women” (*Al-Nisa*) addressed to a male interlocuter, his obligations toward women and vice versa. The law of inheritance in this chapter illuminates more clearly the ‘economic’ place of man and woman in Islam³²:

“...The male receives the equivalent of the share of two females. If they are daughters, more than two, they get two-thirds of what he leaves. If there is only one, she gets one-half. As for the parents, each gets one-sixth of what he leaves if he had children. If he had no children, and his parents inherit from him, his mother gets one-third. If he has siblings, his mother gets one-sixth. After fulfilling any bequest and paying off debts. Your parents and your children—you do not know which are closer to you in welfare. This is God's Law...” (Quran, 4:11)

The subsequent discourse in the chapter then delineates other aspects of social structure relevant to individual habitus, culminating in the following important pronouncement:

“Men are the protectors and maintainers of women, as God has given some of them an advantage over others, and because they spend out of their wealth. The good women are obedient, guarding what God would have them guard. As for those from whom you fear disloyalty, admonish them, and abandon them in their beds, then strike them. But if they obey you, seek no way against them.” (Quran, 4:34)

This ideal of being the “protector”, as the report by Chiovanda (2015) also suggests (albeit regarding the code of masculinity in general), contributes to a psychological environment that requires “display of fearlessness, courage, aggressiveness and self-assertiveness”, features that structure individual habitus

³² Numerous exegesis called *Tafsir* exist dealing with the issues of linguistics, jurisprudence and theology in Quran. In here, due to scope and the issues of utility, I do not enter exegetical details of the above injunctions.

in important ways. As for other social relations, duty toward relatives is mentioned in close succession to parents:

“God commands justice, and goodness, and generosity towards relatives. And He forbids immorality, and injustice, and oppression. He advises you, so that you may take heed.” (Quran, 16:90)

In particular, the virtue of being charitable with one’s wealth in God’s way is exalted, a behaviour encouraged toward relatives in other verses (e.g., verses 177, 180 and 215 in *Al-Baqarah*), followed by an obligation to orphans and the poor:

“If the [inheritance] distribution is attended by the relatives, and the orphans, and the needy, give them something out of it, and speak to them kindly.” (Quran, 4:8)

These injunctions highlight a structural imprint upon the character of social relationship in investor habitus that, by encouraging benevolence toward the community (through reference to relatives, the poor, the needy, the travelers and the neighbors), might explain the communitarian ethos that a believer is ordered to follow while chastising the immorality of acting extravagantly³³ and as an arrogant “show-off” (Quran, 4:36). It also determines the currency by which ‘symbolic’ capital is evaluated; that is, the recognition of the material dimension of wealth by misrecognizing, concealing, and disavowing it in symbolic form.

It would follow from the above that ‘individual’ her/himself is seen as part of the community and not distinguished from it, a notion that is important in how habitus takes shape as either individualistic or driven toward and appealing to the collective for approbation and measures of self-appreciation. This tendency calls on the social system of norms and representations whereby *appreciation* in general is given a set of *common* evaluative parameters among members of the society, including regarding professional positions. The cultural and symbolic capital attached to a profession is distributed through this evaluative system.

To return to Quranic injunctions, the above immediate commitments regarding the parents, relatives, orphans and the destitute, expands into the notion of

³³ “The extravagant are brethren of the devils, and the devil is ever ungrateful to his Lord.” (Quran, 17:27)

“homeland” (*watan*) in an oft-repeated, yet disputed for its authenticity, Hadith (Prophet Mohammad’s saying): love for one’s homeland is part of faith (*hub’ul wattan min’al iman*). This further expands the habitus’ range of normative compass. And although the notion of “society” is rarely mentioned in the Quran, the word “people” (*al-naas*) is a recurring theme, but its use is mostly rhetorical³⁴. Regarding social divisions along “group” (*taayefa*), “race” (*sho’oob*) and “tribes” (*qabayel*), the Quran states:

“...We created you from a male and a female, and made you races and tribes, that you may know one another. The best among you in the sight of God is the most righteous.” (Quran, 49:13)

The implication from the above verse being that “righteous” is the common denominator for being “best” in the eyes of God, a quality that is meant to suppress the urge for explicit expressions of individual’s group-based loyalties for it would be in defiance of the above precept. Other habitus-relevant norms pertaining to the ‘economic’ life of society stressed in the Quran are the importance of keeping sanctity of agreements³⁵, being honest³⁶, and acting just³⁷. Injunctions related to outside-the-family ‘economic’ relations³⁸ are numerous, including on private property³⁹ or the more widely-recognized case of forbiddance of usury which is mentioned in six different places in the Quran⁴⁰ (these two closely approximate and produce explicit institutional effect).

The institutionalized form of Quranic injunctions is undergirded by frequent verses such as the following that determines the place of the “subject” (*abd*, a term used for slave but also denoting all humans before God) in her/his earthly universe:

³⁴ Commonly used in the beginning of verses to attract attention, mostly as “O you believers!” (*yaa ai-yuhal’naas*).

³⁵ “Those of them with whom you made a treaty, but they violate their agreement every time. They are not righteous” (Quran, 8:56)

³⁶ “And do not mix truth with falsehood, and do not conceal the truth while you know” (Quran, 2:42)

³⁷ “O you who believe! Stand firmly for justice...” (Quran, 4:135)

³⁸ For a detailed discussion of Islam and its compatibility with a capitalist mode of production see Rodinson (2007[1966])

³⁹ When it comes to private property, the Quran commands:

“And do not consume one another’s wealth by unjust means, nor offer it as bribes to the officials in order to consume part of other people’s wealth illicitly, ...” (Quran, 2:188) or “... Do not consume each other’s wealth illicitly, but trade by mutual consent...” (Quran 4:29).

⁴⁰ The most vehement being the following statement from verse 275 in Al-Baqarah: “Those who swallow usury will not rise, except as someone driven mad by Satan’s touch.” (Quran, 2:275). Or, in the following verse: “O Believers: devour not Riba [usury], doubled and redoubled; and fear Allah, in the hope that you may get prosperity.” (Quran, 3:130)

“You do not get into any situation, nor do you recite any Quran, nor do you do anything, but We are watching over you as you undertake it. Not even the weight of a small particle, on earth or in the sky, escapes your Lord, nor is there anything smaller or larger, but is in a clear record.” (Quran, 10:61)

God being the source of everything on earth as the omniscient creator is enshrined in ‘His’ 99 names or attributes, the two commonly known ones being *rahman* (merciful) and *rahim* (gracious or kind) given they are repeated in *Bismallah* (in the name of God, the gracious, the merciful) but also the attribute *razzaq* (provider or sustainer):

“[If] they argue with you [Mohammad] before your Lord, say, “All grace is in God’s hand; He gives it to whomever He wills.” God is bounteous and Knowing.” (Quran, 3:73).

A common sense belief in the above principle forms the constitutive basis of individual habitus in an important way (this will be discussed with empirical evidence in chapter 8, section 8.1.), which would render the explicit belief in and display of oneself as the source of ‘economic’ provision as sacrilegious without acknowledging God’s will, or an arrogant disregard of God’s favour in raising one’s material fortune, also believing that such denial might, apart from its inherent ‘immorality’ as an intransigence, threaten one’s material gain by increasing the likelihood of God’s disfavour as a retribution. Specially as the unknowability of what lies in future places the act of living contingent on God’s eternal will as the only legitimate perspective on life and the permissible worldview for a believer; such knowledge falling under the purview of the omniscient divine power:

“Say [Mohammad], “Nothing will happen to us except what God has ordained for us; He is our Protector.” In God let the faithful put their trust.” (Quran, 9:51)

Or, in the following verse from Al-Anfal:

“...Had you planned for this meeting, you would have disagreed on the timing, but God was to carry out a predetermined matter, so that those who perish would perish by clear evidence, and those who survive would survive by clear evidence” (Quran, 8:42)

Hence, any such attempt to 'predict' the future would contravene with the belief in God as one omniscient authority who holds the accidental and eternal knowledge. This is perhaps the reason why one commonly practiced act of prediction at the time when Prophet Mohammad lived, sorcery, has been strongly castigated and forbidden in the Quran: "And [say I take refuge with the Lord of Daybreak] from the evil of those who practice sorcery" (Quran, 113:4). In the face of such an uncertain yet unknowable future, 'chance-taking', particularly with one's wealth (such as gambling) is also strongly chastised:

"They ask you about wine and gambling. Say: 'In them both lies grave sin, though some benefit, to mankind. But their sin is graver than their benefit'" (Quran, 2:219)

The Quran is clear about the forbiddance of subjugating one's conviction to anything but the ultimate purpose of worshiping God and seeking the 'other world', including passions and desires (*nafs*) and a pursuit of wealth for wealth's sake. It has nonetheless called wealth that is pursued through measures that do not contravene with the 'ultimate purpose' as "munificence of Allah" (Quran, 62:10) (see Shafi 1979 for a distinction between wealth for its sake and wealth intended for the 'ultimate purpose'). Wasting wealth is, in fact, forbidden in verse 141 of Al-Ena'am, "...and do not waste. He [God]s does not love the wasteful". And wealth is appraised as one instrument of attaining the 'ultimate purpose' itself:

"And the parable of those who spend their wealth seeking God's approval, and to strengthen their souls, is that of a garden on a hillside. If heavy rain falls on it, its produce is doubled; and if no heavy rain falls, then dew is enough. God is seeing everything you do" (Quran, 2:265)

This verse, apart from others on the same topic (wealth in general has been mentioned 53 times in the Quran), is emblematic of the instrumentality of wealth as an object in the service of attaining God's approval as *the* 'ultimate purpose' in life.

Concerning the human 'will', there is a long Islamic theological debate along two main poles (Fakhry, 2000; hallaq, 2005; Robinson, 2010). If one concedes free will and the ability to humans to *create* their actions, God being the creator

of all would be questioned. And if humans are thought to merely follow God's eternal will, this brings into question the fairness of final judgment for acts humans had no part creating. I will not take sides or enter into the intricacies of this debate due to scope, neither do I consider such specialist scholastic debates too illuminating insofar as the 'social knowledge' transmitted through the family to structure individual habitus is concerned – even less to the AIEs relevant to my purpose. To the extent relevant to this research, what lies in the immediate manipulable zone an individual might reign in, beyond this zone the mere struggle to predict, control and manipulate might simply be perceived as obstinance or the inability to read the cues of God's eternal "will" (*qaz'zaa* in Islamic theology or *sarnewesht* in colloquial Kabul Persian) – for, God has ordained what should attain success and what failure.

I should remind again that these commandments throw light onto the general inscription of the normative structure in social space, where the dispositions of habitus are deposited first through the mega-structure family. The family structure itself, as argued, is influenced by religion's insistence regarding the sanctity of parental role as one primary principal that should be treated as non-violable by family members – which comes to bear on how the hierarchy of power in the family is learned as part of the development of habitus along a patriarchal structure which has as its general characteristics an arrangement along a top-down hierarchy governed by a male member (Siraj, 2010).

Building on the preceding information, a schematic picture of the family structure can be drawn as a top-down patriarchal form embodied by the male authority figure to whom obeisance is paid directly regarding routine or larger questions in life through unidirectional commandments or he inspires obeisance through emotional, charismatic, or propriety-based influence, as a general norm and even when the order is not stated directly. In this structure, governance of routine or larger questions in the family sometimes involves consultative input by other members without affecting the top-down hierarchy of decision-making centred on the authority figure. Members in the family play complementary roles, they supplement and help further the course devised by the authority figure. Social norms, such as respecting the parents, an ethos that also extends to 'elders' (*reesh-safidhaa*) in general, and religious dictums

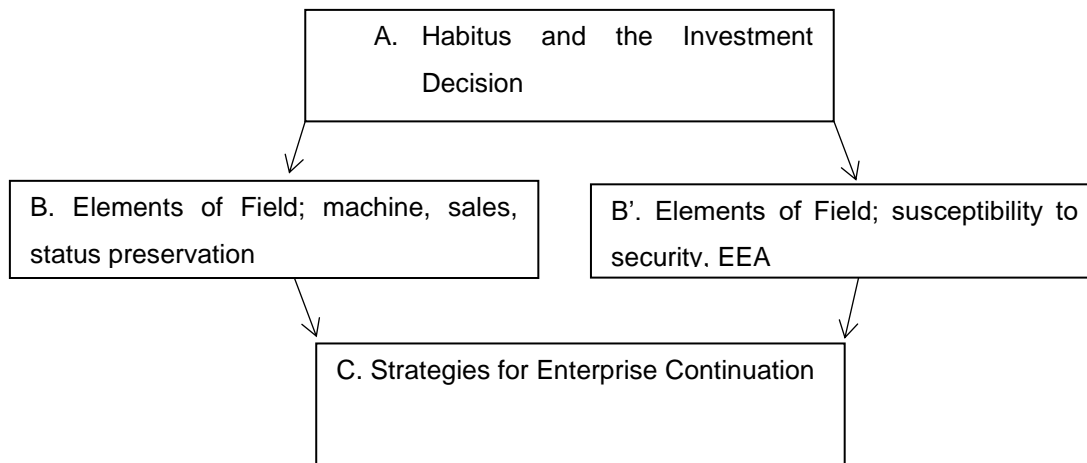
demanding the same, facilitate the hierarchy sustained inside a family unit. These are literally embodied in the form of not raising one's voice when talking to the authority figure (to parents in general), not sitting above them in the house (the entrance to the room usually seen as the place for the lower-ranks in the family if the room is rectangular), not overtaking him while walking, not stretching one's legs in front of them or toward them, and many other such mannerisms.

Disagreement, refusal or protest as individual acts by family members in such a hierarchy can become the cause for being cast as pariah, leading to gradual ostracism in case the 'intransigence' is repeated. Protest often does not lead to compromise, given that compromise might result in eroding and perhaps threatening the inviolability of the position of the authority figure and would, in effect, bring one to share this role with him. The *acceptable* 'transferring process' of the decision-making role, however, happens through its own gradual mechanism and is not detached from the logic of emotions. It happens through the hierarchy by the function of natural or accidental death of the authority figure, or through a gradual process by which the authority figure grows old and confers 'economic' and decision-making power regarding livelihood strategies to another member. Or the 'other' member grows important by virtue of his/her growing financial position as an outcome of personal exertion (e.g., paying more toward the household finances), the prestige this transfer brings to the member inside the family raising her/him (usually a male) as the potential authority figure. If not raising her/him directly to the top, this at least makes her/him as someone dealing with practical routine when the authority figure gradually disengages and comes to the picture when larger matters (say, deciding on a family member's marriage) are being negotiated inside the family. The mode of relationship and the social system of appreciation regarding the outside world, including 'economic' profession, social position, education, marriage, the reciprocal non-pecuniary norms with relatives and social relations, the country as well as the treatment of non-family *outsiders*, is mediated through the normative institutions of the top-down family hierarchy.

3.6. Active Institutional Elements (AIEs)

Given the multiplicity of explicit and implicit institutions, not all are relevant to the task of analysing the research topic in hand. Consequently, building on the schema of the mega-structure in the previous section, I derive *active* institutions that operate as the *elements* of social practice in the four following domains:

Figure 6 – Four Study Domains in A Manufacturing Unit



Box 'A' explores the decision-making process for entry into secondary sector, explaining *why* this and not another professional option. Extrapolating from the mega-structure schema, in regard to 'A' the following AIEs have been identified: 1) Obeisance: functioning as non-inquisitive compliant disposition within the top-down family hierarchy; 2) emulation: functioning in the form of replicating the professional history of the authority figure, through a close interaction with which the early childhood upbringing takes shape; 3) perpetuation: functioning similar to emulation but having to do with a symbolic legitimation of the act of emulation by tying it to the family history – even when the authority figure no longer lives⁴¹. In relation to the role by relatives, friends and acquaintances, the following AIEs are applied to explain the entry into secondary sector: 1) trust: non-questioning belief in someone's authenticity based on keeping sanctity of agreements, honesty and fairness as Islamic attributes; 2) Non-pecuniary, non-committal and non-reciprocal social relationship (NNN): institutionalized practice for knowledge and credit transmission that relies on non-monetary social capital, the person receiving

⁴¹ This idea of symbolic self-perpetuation approaches and is influenced by the thesis put forward by the cultural anthropologist Ernest Becker in his book *The Denial of Death* (1973).

the information not obligated by social or formal institutions to abide by it, and reciprocity being optional and non-obligatory. The subjective active norms related to the entity “people” (*mardom*) and “homeland” (*watan*) related to box ‘A’ include: 1) communitarian norm: a notion of altruism based on ‘love thy relative, thy neighbour, the poor and the traveller’, including commitment to an abstract notion of unitary ‘homeland’ (*watan*) – a norm that should be seen in the context of the ‘homeland’ being war-torn and in need of stronger commitment than normal.

In regard to B in Figure–6, I identify the following AIEs: 1) trust; 2) communitarian norm; 3) fatalism: a belief in *God giveth, God taketh away* and the unknowability of future events, also manifested in ad-hoc, undifferentiated and non-technical management in a tendency to submit to a “leap of faith” disposition based on divine goodwill⁴²; 4) social esteem: a society-wide system of positional appreciation based on professional division of labour and the cultural capital attached to each.

Regarding B’, the following AIEs are observed: 1) obeisance, 2) NNN, 3) communitarian norm, and 4) the ‘unlawfulness’ (*haraam*) of usury in Islam. In here, the focus is mainly on the two determinants of the political economy of the context as elements of the field of production; namely EEA and militant insurgency (see chapter 1 for elaboration). Hence the role of implicit institutions, although not absent, are less relevant in this section. This aspect of the field is beyond the zone of control of the investors and their habitus’ direct structuring effect and, therefore, the enactment of AIEs are not the main explanatory elements. The AIEs for C in Figure-6 include: 1) trust, 2) NNN, 3) obeisance, 4) Prudential production: functioning as urgency and short-termist norm of behaviour (war-time exacerbating it) to, among others, guard against wealth’s waste.

I rely on the above AIEs for analysing the patterns in empirical data, using them as the micro-analytic tools that explain institutionalized behaviour in the context that are seen as determinant of entering into manufacturing sector and the strategies for enterprise continuation. I will not refer back to the mega-structure family in every instance because of brevity and on the basis of the above

⁴² Underpinned, *inter alia*, by verse 284 from Al-Baqarah, “to God belongs everything in the heavens and the earth...” (Quran, 2:284) and verse 109 in Ali’Imran, “to God belongs everything in the heavens and everything on earth, and to God all events are referred.” (Quran, 3: 109)

exposition, treating the AIEs as the objectively relevant elements of mega-structure in the field of production. From here on, the research will also build toward the thesis argument, i.e., the sector not showing structural signs of having grown significantly important within the economic ‘anatomy’, functioning as a mechanism of reproducing the hierarchy of power in a patriarchal family within the field of production.

The above general scheme applies, I maintain, regardless of the variations along ethnic lines in Afghanistan (see Barfield, 2010 for generic detail). Such differential variations do not reduce the validity of using the above schema based on the mega-structure in its inter-relation with the main normative paradigm (Islam) in how they structure habitus and as a useful basis for deriving the AIEs for explaining investor behaviour considering that almost all Afghans officially adhere to Islam. I also did not observe strong relevance of group-based differences in the data as far as answering the RQs were concerned. This may partly be due to objective necessity that has reduced maintaining group-based loyalties in manufacturing (which I did not broach due to its sensitivity), but it might also be an outcome of the aforementioned Quranic injunction regarding disavowing tribal and group-based loyalties, leading to the tendency to dismiss such types of discrimination in Kabul’s society as not in keeping with Islamic norms – albeit mostly in public and when among a multi-ethnic crowd. I have approached the regulating effects of the above AIEs – unless in explicit form – as *embodied* practices structured by investors’ habitus. To reiterate a previous point, operationalizing the term habitus is an *ex post* process to apply it in the analysis – the term itself, as stated by Grenfell (2008), while acting as the macro-analytic framework, does not contain micro-analytic pre-determined substance to treat the data with. The *empirical* contents of habitus’ effect in manufacturing as structured by AIEs is revealed through the regularities in the data.

A final point on Figure–6: the figure depicts a diachronic sequence for the thesis and describes my approach in reading the data. As such, it should be kept in mind to understand the expositional sequence of the thesis: ‘A’ happening before ‘B/B’, and ‘B/B’ happening before ‘C’. This holds truer in the relationship of ‘A’ to the rest given that it is a one-time initial event. However, the relationship between B/B’

and C is relatively more complex. The inter-relation between them shifts and is a matter of the range of options habitus offers. To illustrate, a component of 'C' (e.g., regular client relationship) can conversely affect a component of 'B/B'' (e.g., sales on credit/*ograyi*). For example, the loss of a link to a large pool of regular clients might lead the investor to reassess whether (s)he should continue relying on sales on credit/*ograyi* (see chapter 7, section 7.1.2 for elaboration on these terms). In line with 'C' following B/B' would be when the governance structure in a unit witnesses a change toward a more complex form of division of labour if, through a new material or non-material resource made available to the individual (contained in 'B/B''), (s)he becomes capable of re-evaluating a previous governance structure.

In any case, the sequence runs from 'B/B'' to 'C' because the former constitutes the objective field that structures the limits of action and lie mostly outside the conscious control of the investor and whatever (s)he does in 'C' lies under her/his control. Hence, the adaptive strategies under 'C' are more responsive and malleable than the components of 'B/B'' which mostly lie outside the control of the investor – they are *out there* in the context as a reality that pertains to the nature of the investment and the context's political economy at large and are mostly not amenable for change by a single person; albeit 'endogenous' aspects of field (discussed in chapter 7, section 7.1.) being comparatively closer to conscious control than 'exogenous' aspects (discussed in chapter 7, section 7.2.). To summarise the diagram (after accounting for the complexity of the relationship between 'B/B'' and 'C'), the linear progression from 'A' to 'B/B'' to 'C' can show the correlational sequence I have followed in mapping out an objective sequence of events. In the sense that for 'C' to happen, 'B/B'' needs to be in place and for 'B/B'' to happen, 'A' needs to have occurred. Whereas 'A' can occur without 'B/B'' and 'C', and 'B/B'' can occur without 'C'.

In a subsequent analytic step, the thesis uses the qualitative proxies of significance to assess the structural indicators in the economy suggesting the growth in size of manufacturing activities in Kabul during the study period (see chapter 1, section 1.3. for detail).

Chapter 4. EEA and Aid Expenditure in Post-2001 Afghanistan

The initial steps for orientating state institutions in Afghanistan in line with EEA was taken in early December 2001 in Bonn, Germany in a conference organized by the United Nations to negotiate a post-Taliban regime transition. The *Agreement on Provisional Arrangement in Afghanistan Pending the Re-establishment of Permanent government Institutions* (Agreement hereafter) signed in now widely known *Bonn Conference on Afghanistan*, called for the establishment of an 'Interim Administration' to retain the powers vested in a sovereign following an official transfer of power¹. The composition, functions and governing procedures of the Interim Administration were laid out in the *Agreement*. The process of institutional change set forth thereafter led to the approval of a new Constitution by a traditional assembly called *Loya Jirga* in January 2004 (see Hanifi 2004 for a discussion on Loya Jirga). Commitment to a "market economy" was enshrined in Article 10 of the new Constitution.

EEA in Afghanistan has tended to exclude the state in the coordination of (or participation in) economic resource allocation in the sense of cancelling the possibility of the emergence of "extractive state institutions" (Acemoglu and Robinson 2012). According to a report by the Special Inspector General for Afghanistan's Reconstruction² that assesses the policy of promoting private sector in Afghanistan up until 2018, "US officials viewed private sector development as foundational to economic growth [in post-2001 Afghanistan], which in turn was seen as a key driver of security." The intended security objective was to be achieved through providing employment to the young and the unemployed, raising the legitimacy of the Afghan state, and generating revenue for the state to reduce its dependence on the "international donor community". The document adds that important policies were formulated at this stage in concert with the IMF and the World Bank, covering "critical priorities of macroeconomic stability, institutional

¹ Transfer of power was needed because Afghanistan still had an UN-recognized *de jure* president during the Taliban regime – Burhanuddin Rabbani – who also presided over the country between November-December 2001 following the onset of the military campaign that removed the Taliban regime from Kabul. Only Pakistan, UAE and Saudi Arabia officially recognized the Taliban as Afghanistan's legitimate government during 1996 – 2001.

² US Congress bi-partisan congressional body set up in 2008 to monitor aid expenditure and development projects in Afghanistan.

infrastructure development, monetary policy creation, banking system rehabilitation, currency conversion, government revenue collection, and basic economic governance”. The US government also pushed for “the promotion of [private sector] investment, the privatization of the former state-owned enterprises (SOE), trade liberalization, lowering barriers to trade, integration with regional and world markets, and accession to World Trade Organization...”, while USAID focused on the primary sector for its private sector promotion as the “cornerstone of recovery and a pillar of reconstruction for a sustainable future [in Afghanistan]” (SIGAR, 2018).

Notably, the Afghanistan National Development Framework (NDF) of April 2002 set the direction of economic policy barely four months into the UN recognized government of Afghanistan Interim Administration. The document was prepared by the Afghan Authority for the Coordination of Assistance, a body established by the Interim Administration to work with IFIs, the UN, bilateral development agencies and NGOs. The role played by the country’s newly appointed Finance Minister (a former World Bank employee) was important in preparing the NDF which stated that “the market and the private sector is a more effective instrument of delivering sustained growth than the state” (Afghan Authority for the Coordination of Assistance, 2002). The same ministry had an important role in producing the subsequent Securing Afghanistan’s Future (SAF) policy paper that was prepared by a steering committee co-chaired by three government ministries (finance, reconstruction and foreign affairs), partnering with the World Bank, IMF, UNAMA, Asian Development Bank, and United Nations Development Program – the document preparation in working groups was mostly led by World Bank experts. SAF was presented by the World Bank to donors in March 2004 (Del Castillo 2008: 170–171) and shows heavy reliance on a private sector allocative regime. It stresses on following the principle of “small government” that should function as regulator of private sector and not as its competitor – arguably one extreme form of market-oriented approach to economic development, as argued by Chang (2002)³ – stressing the commitment to create the “enabling environment

³ Chang (2002) states that the ‘minimal state’ argument was one among three, and arguably the most extreme, neoliberal approaches to tame the ‘market failure’ debate that had become a central theme in political economy by the 1970s (including a topic among neo-classical economists). The argument was used to advance the view that ‘market failure’ was marginal and can be seen only in such areas as defence, law and order and the provision of large-scale infrastructure. Hence, if state involvement is inevitable, it should be based on the principle of ‘minimal state’ to only encompass the aforementioned areas.

for both the domestic private sector..., and the international private sector”. The document adds that “the private sector cannot risk its hard-earned money without security, *rule of law* [emphasis mine] and a government committed to transparency and accountability” (Securing Afghanistan’s Future, 2004).

The 2006 Interim Afghanistan National Development Strategy, also approved as Afghanistan’s Poverty Reduction Strategy Paper (PRSP) by the boards of the World Bank and IMF, reaffirms Afghanistan government’s commitment for pursuing a “lean government” model, declaring that “government will act as a policy maker, regulator, and enabler of the private sector, not its competitor”, further adding that “our economic vision is to build a liberal market economy ...to do this, we will develop an enabling environment for the private sector to generate legitimate profits and pay reasonable taxes, thereby enhancing public revenues that can then be invested in public services” (International Monetary Fund, 2006a).

According to a report by the Afghanistan Investment Support Agency⁴ (2012), to accomplish the objective of a private sector-led allocative regime, seven state-owned banks (including the Export Promotion Bank) and public enterprises were restructured to be privatized. Three state-owned banks; namely, Agricultural Development Bank, Industrial Development Bank and Mortgage Construction Bank were liquidated in a series of reforms proposed by the IMF under the ‘Poverty Reduction, Growth Facilitation’ program aimed at minimizing state control in the economy. In the area of trade ‘liberalization’, a 2005 IMF review of Afghanistan’s economy applauded the country’s adherence to a liberal tariff regime, acclaiming it as one of the most liberal regimes in the region with a simple average of 4 percent (International Monetary Fund, 2005). However, a coherent trade policy did not accompany this extent of ‘trade liberalization’, the first trade policy of the country formulated by the Ministry of Industry and Commerce only in 2019, which advocated for a competitive private sector as a way to promote exports (Ministry of Industry and Commerce, 2019). A ‘national export strategy’ was devised a year before but focused on primary sector (Ministry Industry and Commerce, 2018). Regarding privatization and liquidation of state assets, another major document officially succeeding the Bonn Conference *Agreement*, called The Afghanistan

⁴ A government bureau dismantled in 2015 and its responsibilities transferred to ACBR-IP

Compact and signed between Afghanistan's government and its international donors in London (United Kingdom) in 2006, states that, "the Government's strategy for divestment of state-owned enterprises will be implemented by end-2009" (Government of Afghanistan, 2006).

Confirming Afghan government compliance to its policy recommendations, the 2008 Afghanistan PRSP approved by the IMF states that "the government is committed to policies conducive to a private sector-led market economy that delivers high, sustainable economic growth" (IMF 2008a). In the area of achievements on the 2006 PRSP, the 2008 report attests that in the past two years the Afghan government has been successful in bringing down inflation to "single digits" and "monetary policy has been supported by adherence to strong fiscal discipline and a "no overdraft" rule that prohibits the Central Bank from financing the deficit (IMF 2008b).

Concerning a more consequential area for resource allocation, a new banking regulation proposed by the IMF early on in the post-2001 period was enforced by an Afghan government decree and enshrined as the country's banking law (Fitrat 2018). According to article 3 of the new banking law (Central Bank of Afghanistan, 2003), the central bank was declared "entirely independent" of the government. Article 2 delineates its main task as achieving and maintaining domestic price stability, followed by adopting flexible exchange rates and the guarantee of loan repayment. Price stability and inflation control are among the main tenets of the Washington Consensus reforms, termed "stabilisation" (Williamson, 1990). Other forms of government control over the financial sector, such as capital control measures (the measures regulating the inflow and outflow of capital in a country's economy) were not part of the 2003 banking law. The central bank could no longer be integrated into a development policy and was tailored to handle monetary affairs only, its involvement in development policy limited to providing consultation to the government and commercial banks in the areas of debt and financial management. This put strict limits on the government's ability in the banking sector to channel credit into target sectors, or if it required deficit spending through a state-run financial system (Del Castillo 2008: 161–190). The 2003 Banking Law falls in line with a strategy of financial management that Epstein (2009) calls "neo-liberal" banking that has been advocated by the IMF in the last three decades,

focused on ensuring central bank independence, its monitoring and enforcement of macro-economic stability and inflation fighting, and application of monetary policy as an economic growth strategy. Short term interest rates as against direct methods such as credit ceilings, are relied on to spur private investment and economic growth – underlined by the assumption that lower interest rates would encourage borrowing and investments in Kabul (the same way, presumably, it might do in New York, Shanghai, or elsewhere).

In the area of manufacturing sector development, a 2011 Afghanistan Ministry of Commerce and Industry Policy paper called ‘Strategic Industrial Objectives’, outlines the government’s strategy as the creation of:

“a socially responsible market economy ..., in which sustainable and equitable growth is private sector led and leads to increased employment, higher living standards and the reduction of poverty, in which competition operates for the benefit of all” (Ministry of Commerce and Industry, 2011)

The paper enumerates a few objectives, including “[to] improve the enabling and regulatory environment for business and Afghanistan’s DBI⁵ ranking; improve international competitiveness and trade; industrialise Afghanistan through increased exports and import substitution; ensure the private sector operates fairly and equitably; ensure pro-poor growth; and promote the market economy and increase understanding of how it operates.”

The paper acknowledges that the Ministry does not have the mechanisms and “structural resources” to deliver on its supportive role to private sector, pointing out some “weaknesses” affecting industrialisation, including “lack of clear policy relating to industrial parks, lack of clear policy relating to SOEs and other Ministry-owned or managed assets, no trade policy in place, lack of information on markets and competitiveness needed to develop policy, complicated and opaque processes for auctioning SOEs and other MoCI [Ministry of Commerce and Industry] assets, lack of shared vision within MoCI, confusion over high level co-ordination groups – Afghan National Development Strategy, Ministry Clusters, National Priority Programs, etc., no communications strategy in place for the

⁵ World Bank’s Doing Business Indicators

Ministry, limited contact with the provinces, poor links with private sector and civil society, leading to inability to respond to the emerging needs of businesses, and no budget for renovation and maintenance of SOEs.” The paper adds that a legal framework to ensure “equitable” access to a “freely competitive market” does not exist and legal guarantees to protect consumers from “unscrupulous” behaviour are absent. Yet, the policy is largely based on the view that these legal shortfalls should be surmounted to provide the space for “free competitive” individuals to participate in the economy.

The emphasis on legal and regulatory adaptation with EEA is laid in the 2015 Afghanistan National Peace and Development Framework (the latest 5 year development strategy that was meant to last until 2020). Based on my interview with a high-ranking official at the Presidential High Economic Council in June 2018 – one among 11 High Councils established by Afghanistan’s President Ashraf Ghani in 2015 that directly answer to him –, promotion of private sector remains the main focus of government industrial development. The government facilitates private sector activities in the country but does not get involved directly in resource allocation. The policy line followed is marked by indirect service provision than providing direction, financial support and technological know-how. A tentative plan to revive SOEs was also abandoned by the government due to the new procurement legislation. Any government agency making a purchase beyond a certain limit would require official approval from the National Procurement Authority, which makes it difficult to run SOEs without significant time-delays for securing needed funds. The 2019 Afghanistan National Trade Policy by Afghanistan’s Ministry of Industry and Commerce largely reiterates the EEA ‘rationale’ even when it acknowledges that the trade deficit stands at \$6.5bn (37.7 percent of Afghanistan’s GDP and more than eight times the value of its exports) – a reality that has remained consistent in the post-2001 period.

It appears that early on the market-oriented policy witnessed some resistance from “some constituencies ...[who] dispute government’s policies and advocate for ...increasing government interference in the economy” according to an IMF 2006 report, which adds that “[IMF] staff advised the [Afghan government] authorities to keep the focus on the long-term benefits of market-oriented policies” (International Monetary Fund, 2006b). The staff paper also reports that “the [Afghan

government] authorities also raised the possibility of an increase in import tariffs, with a view to increasing revenue while protecting the domestic industries. [IMF] Staff cautioned strongly against such an approach.”

Much of the above policies were adopted without consultation with public representatives because Afghanistan’s first post-2001 parliament begun work after the first parliamentary elections in late 2004. In the case of the 2002 NDF strategy, it was not translated from English into Persian for wide distribution and regarding the 2004 SAF strategy, the Ministry of Finance reportedly did not even have the approval of the cabinet of Ministers of the Afghan government before the World Bank submitted it to donors seeking their endorsement (Del Castillo 2008: 170–171). Similarly, the 2003 Afghanistan Banking Law was, in fact, written originally in English and was only later translated into Persian (Fitrat 2018).

In a sign of disjuncture between EEA and public perception of ‘development’, the Ministry of Commerce and Industry paper on the promotion of the manufacturing sector notes that “many Afghans do not perceive the move to a market economy as positive,” which, therefore, has made it imperative that the Ministry should “continue to persuade the Afghan people of the benefits of the market economy and to identify and exploit opportunities for private sector led growth.” This incompatible tendency between EEA and public opinion was pointed out by Fishstein’s (2010b) research in five important provinces of Afghanistan, recognized as regional hubs, suggesting that the market-oriented policy is inconsistent with the afghan notions of ‘social justice’. Neglect of pre-1978 SOEs has been frequently criticized by the interview respondents in his research while visible signs of development (factories, hospitals, dams, airports, etc.) are commonly perceived more favourably as signs of ‘progress’.

4.1. Post-2001 Aid Expenditure in Afghanistan

Aid expenditure forms the financial dimension of the overall post-2001 military engagement in Afghanistan. The US government and UN involvement in post-2001 Afghanistan was initially not meant to incorporate aid expenditure, or not at the levels that were later witnessed as a result of a rise in commitment. The multinational troops under the UN Security Council mandated International

Security Assistance Force (ISAF)⁶ was originally only deployed to Kabul and a 'light footprint' strategy was advocated by UN envoy to Afghanistan Lakhdar Brahimi, characterised by a policy of mostly facilitating the transition to a post-Taliban government (Traub, 2006; Del Castillo 2008: 172). A sense of urgency was in witness among United States's government leadership, civilian and military, in the early stages of planning the war in November 2001 to rapidly execute it to allow for leaving Afghanistan's battlefield without prolonged engagement (see Woodward, 2002 for detail). The ISAF's operation was projected to terminate following achieving its mission of 'neutralizing' the individuals accused of having a hand in the September 11, 2001 attacks and after establishing the security conditions for a post-Taliban political administration in Kabul. In view of Taliban's resurgence in late 2002, this strategy had to be replaced with a new one in four stages, leading to the state building project that began to encompass, among others, state institution building to establish EEA and a variant of a presidential representative democracy (Suhrke, 2008), as well as financial commitment in the form of aid expenditure.

Bi-lateral official development assistance (ODA) to Afghanistan since 2002 by the country's international partners are administered by four multilateral trust funds:

- F1.** Afghanistan Reconstruction Trust Fund (ARTF) – managed by World Bank
- F2.** Law and Order Trust Fund for Afghanistan – managed by the United Nations Development Programme (UNDP)
- F3.** NATO Afghan National Army Trust Fund – managed by the NATO
- F.4** Afghanistan Infrastructure Trust Fund – managed by the Asian Development Bank

The largest recipient of aid money among the above funds has been F1 which, coupled with F2, F3 and another smaller fund that is coordinated by the UN Office for Coordination of Humanitarian Affairs⁷, has received the cumulative amount of \$30.278bn between 2002-2019 (SIGAR 2020a). The countries donating have mainly included the US, Japan, United Kingdom, Germany, European Union, Canada, Australia, Netherlands, Norway, and Italy. Apart from the above funds,

⁶ ISAF was terminated in December 2014 and the US-led coalition is now recognized simply as a NATO mission.

⁷ UNOCHA leads emergency appeals and humanitarian response plans for Afghanistan.

countries have spent aid money through their own government and development agencies as well.

However, since 2002, 'militarized' aid expenditure (aid money spent in pursuit of the military objective) is responsible for absorbing the bulk of the aid money spent in Afghanistan by its largest donor, the US government. As the main aid contributor to Afghanistan's reconstruction, the US Congress appropriations (legal authority for US Federal agencies to incur financial obligations) stood at \$137.86bn⁸ for Relief, Reconstruction and Civilian Operations (RRCO) from fiscal year 2002 as of June 2020 (SIGAR 2020b). The above amount also includes appropriations by the US Department of Defence (DoD) which, at the same time, are accounted for in the 'Cost of War' estimations. The cumulative DoD obligations, including its contribution to the RRCO and warfighting costs by US troops in Afghanistan had reached \$776bn by 30 September 2019 according to the Department's 'Cost of War' report (US Department of Defence, 2019).

The US aid expenditure in Afghanistan was integrated into the wider "counterinsurgency" strategy by the US DoD directive 3000.05 in 2005, aiming to pacify rural elders and rally their cooperation with counter-insurgency operations through monetary enticement, leading to majority of the aid being spent in restive Southern and Eastern provinces (Fishstein, 2010a). The rising share of the military's involvement in aid expenditure in Afghanistan can be illustrated in the comparative ratio of aid money spent by the USAID (a civilian outlet) and DoD. The latter's share has continuously increased during US fiscal year 2002 through 30 September 2019, appropriating the majority of the US government contribution to the RRCO. During the period 2002 through 30 September 2019 (the last year with disaggregated data I could access), total cumulative appropriations by US DoD had reached 64.48 percent of the aggregate amount. By comparison, appropriations by USAID had reached 19.9 percent and by the Department of States 14.4 percent, the remaining appropriated by other US government agencies (SIGAR, 2020a). After scaling up drastically the troop numbers by the administration of President Barack Obama in 2009, the 'counterinsurgency' effort

⁸ A comparison is in order. The amount spent by the United States on European Recovery Program (so-called Marshall Plan) after WWII was a nominal \$12bn amount, equivalent to \$128bn as of 2020 after adjusting to inflation.

in Afghanistan saw DoD occupying an even more prominent role in aid expenditure and “private sector development”, to whose priorities USAID had to now submit in order to pursue a “unified US response” (SIGAR, 2018).

To illustrate, regarding one fund, Commander’s Emergency Response Program (funds allocated for use by US military commanders on the ground for urgent humanitarian relief and reconstruction requirements in their areas of responsibility), cumulative aggregate funds allocated to it had increased from none in 2003 (Fishstein, 2010b:13) to \$3.7bn through fiscal year 2019 according to SIGAR July 2020 quarterly report (SIGAR, 2020b). The other instruments used by DoD for private sector development were ‘Afghan First’ procurement, meant to increase purchase from domestic producers for US-funded projects, and the ‘Task Force for Business Stability Operations’, a policy replicated from the Iraq invasion experience. Meanwhile, the US DoD has not contributed only to the reconstruction of Afghanistan’s security sector. In one non-security sector related assistance, the Department has paid \$10.4m to the American University of Afghanistan⁹, one of the largest US government projects in Afghanistan’s education sector, making the Department one of the main US agencies together with USAID and Department of States to fund the project (SIGAR, 2020b).

A major part of the RRCO fund has been spent in re-arming and policing Afghanistan as is indicated in SIGAR figures. Of the total \$137.86bn appropriated for RRCO as of June 2020, \$80.95bn (58.7 percent) has been appropriated for the Afghanistan Security Forces Fund, spent on three areas of Defence Forces (Afghan National Army), Interior Forces (Afghan National Police), and Related Activities (primarily Detainee Operations). The second largest reconstruction fund is Economic Support Fund, with a cumulative disbursed funding of \$21.05bn as of June 2020. This fund, unlike its name, is not meant expressly for economic development and is designated to support counterterrorism, bolster national economies, and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government. It also covers sectors such as health, education and gender equality, rule of law, anticorruption

⁹ The University is not public and charges an annual total fee of approx. \$25,000 according to its student financial manual (American University of Afghanistan, 2019). To give this fee a context, refer to footnote 47 on page 261 for a brief overview of cost of living in Afghanistan based on consumer price index.

initiatives, alternatives to illicit trade (narcotics), agriculture, power generation, and governance. This is, in effect, roughly aligned with the purpose of establishing EEA in a comprehensive mandate. Following the above fund, the Commander's Emergency Response Program has received the largest amount. In comparison, Afghanistan Infrastructure Fund, jointly managed by the US DoD and the US Department of States for supporting the civilian-military effort had appropriated \$0.98bn (of which \$0.65bn was disbursed) before it was discontinued in 2014. Similarly, Task Force for Business and Stability Operations designed for countering economically motivated violence, and discontinued since March 2015, had appropriated \$0.82bn (of which \$0.64bn had been disbursed).

Based on a 2015 study (Lutz and Desai, 2015), most of the USIAD projects in Afghanistan up until then had been handled and delivered by ten US-based private companies, receiving 58% of the contracts (The Louis Berger Group, Black and Veatch, DynCorp, PAE, Civilian Police International Halliburton, Fluor, and Chemonics), while beneficiaries of US DoD contracts have also mainly been US corporations. Endemic corruption in aid expenditure has led to the debarment of 988 individuals and companies (554 individuals and 443 companies) from dealing in Afghanistan by Special Inspector General for Afghanistan's Reconstruction since 2008 (SIGAR 2020A).

The shift to *defence, diplomacy and development* or an "integrated approach" can be noticed in many counter-insurgency strategies other than the US, as is seen in the creation of new agencies within foreign ministries in the EU, and Canada during the past decade (Fishstein, 2010b). Designated as "Post-conflict Reconstruction Unit", "Coordinator for Reconstruction and Stabilization" or the "Stabilisation and Reconstruction Task Force" in the UK, US, and Canada respectively, this renewed security-led aid expenditure, despite approaching counter-insurgency operations as a combined effort pressed forward by the trio of military force, diplomacy and development, has also the issue of force protection as a concern. Populations with better roads and bridges built with foreign aid money are thought to be less aggressive and more cooperative with the foreign armed forces deployed to their towns and villages.

Following the same strategy, the approach to aid expenditure by the US in Afghanistan is put under the rubric of “stabilization”, a term defined by US DoD directive 3000.05 as:

“an inherently political endeavour that requires aligning U.S. Government (USG) efforts—diplomatic engagement, foreign assistance, and defence—to create conditions in which locally legitimate authorities and systems can peaceably manage conflict and prevent violence.” (US Department of Defence, 2005)

The strategy document treats “stabilization” as a necessary complement to active combat at the “tactical, operational and strategic levels”, insisting that the objective stabilization should pursue is to turn combat success into lasting strategic gain.

The document further states that:

“Fragile and conflict-affected states often serve as breeding grounds for violent extremism; transnational terrorism and organized crime; refugees and internally displaced persons; humanitarian emergencies; the spread of pandemic disease; and mass atrocities. Stabilization can prevent or mitigate these conditions before they impact the security of the United States and its allies and partners.”

This articulation follows in the trails of development discourse by the US that was common during the Cold War, which viewed development assistance in terms of a security rationale – such assistance was seen as necessary back then to counter Soviet influence and justify interventions in developing countries (Rajagopal, 2008). Pitting “communism” against “freedom”, in one instance of such a strategy the US Secretary of State John Foster Dulles stated in a 1956 statement that “we are in a contest in the field of economic development of underdeveloped countries, ... defeat ... could be as disastrous as defeat in the armaments race” (New York Times, 1956). With Cold War’s end, the change of language now centred on “fragile and conflict-affected” states, calls attention to other resultant security dangers from lack of development, such as the “spread of pandemic disease, and mass atrocities”. The problem of “poverty” in developing countries, in general, which was back in the agenda of IFIs by late 1980s after a period of falling out of sight during US President Reagan’s tenure (Williamson, 1990), was increasingly interpreted – including by the UN’s Millennium Development Goals – in terms of a security problem as much as a developmental issue (Rajagopal, 2008). The

'stabilization' lens views economic, social, political and cultural phenomena through a security-led prism, in a classic case of 'epistemic closure' (Mac Ginty, 2012).

As a general guide for tactic, the 2005 US DoD directive insists on "small-footprint, partner-focused stabilization" that includes indigenous and other external partners. However, when it comes to aid expenditure, pronouncing support for 'national ownership' has not precluded fundamental detachments between the donor country priorities with the realities on the ground. This non-alignment, according to Goodhand (2010), is aggravated by the asymmetry of relations between internal and external actors, the fractured nature of global and national governance, and the mismatch between military and long-term development priorities. In Afghanistan, a US Senate Foreign Relations Committee report (2011) throws doubt on the effectiveness of using aid as an instrument for stabilization not long after the 2005 DoD directive, estimating the monthly amount of aid spent in restive Southern and Eastern provinces at 80 percent of the aggregate amount allocated to Afghanistan, without seeing the intended results even then.

Aid money to Afghanistan has continuously declined in the post-2014 period – the year that marked the terminating point of a drastic reduction in the US-led international coalition forces left in Afghanistan that had started in 2011, major combat responsibilities getting handed over to Afghanistan's army and police forces. For instance, the US's contribution to RRCO has in general decreased since 2014, more precisely the funding categories 'governance/development' and 'civilian' have shrunk to a small fraction of their pre-2014 levels (SIGAR 2020b: 43-44). The funding allocated to the category 'security' has remained steady, but the overall 'annual appropriations' of funds has decreased from \$9.64bn in 2013 (approximately 46.9 percent of Afghanistan's GDP at the time) to \$4.89bn in 2019 (approximately 25.2 percent of Afghanistan's GDP in 2018¹⁰) – the reduction mainly witnessed in non-military development funds. In addition to reduction in aid expenditure, the 2012-2014 drastic drawdown of the US and international military and civilian presence in Afghanistan had a weakening effect on economic growth. Based on the 2011 US Senate Foreign Relations Committee report (citing a World

¹⁰ The last year for which GDP figures are available online.

Bank estimate), Afghanistan's GDP was 97 percent derived from "spending related to the international military and donor community presence." The 2014 reduction in the number of troops and international civilians erased this source of GDP growth to a large extent.

4.2. Market-Oriented Reforms and Conflict-affected Contexts

Specific IFIs policy for post-conflict reconstruction *per se* have mostly been absent in the post-World War II period (Kreimer et al., 1998). As suggested by Del Castillo (2008), reconstruction issues in post-conflict situations have been treated as "development as usual", specially concerning the economics of a post-conflict situation (Castillo, 2008; Bannon, 2010). The World Bank 1998 document titled *The Framework for World Bank Involvement in Post-Conflict Reconstruction* was the first to partially draw attention to this area, which is centred on World Bank 'best practices' for economic development (Kreimer et al., 1998). The *Framework* states that "a great deal remains to be learned" in post-conflict reconstruction and "lack of clearly defined guidelines" in this area has previously affected Bank performance. The *Framework* emphasizes on "rational policies of reconstruction and sound macroeconomic policies" by host country governments to ensure sustainability of the reconstruction mission, further insisting on a "dynamic private sector ... for a vibrant post-conflict economy". Williamson (2000) notes that in IFIs parlance best practices are policies that facilitate structural adjustments and reduce "the role of government", such as "privatization and the liberalization of trade, finance, FDI [foreign direct investment] entry and exit".

In its inquiry into the topic of resource allocation, classical and early 20th century political economy studied an equilibrium state; i.e., a hypothetical condition where society's material resource allocation is achieved, reflected in prices, in a way that any restructuring of it might have a higher disadvantage than any net gain. Samuelson's influential textbook *Economics*, for instance, does not include a section on the economics of war except brief argumentative remarks (Samuelson 1967). The study of allocation from this standpoint presupposes a time of political stability and peace (Ginty & Williams, 2009), considering that achieving the aforementioned equilibrium is already hard and constitutes the subject matter of economic research despite their being peace. Peace was considered as more

natural given the historical and ideological environment of the 18th century when the foundations of classical political economy were laid down (Milward, 1979). As such, times of war are treated as political ‘disturbances or anomalies, they are mostly excluded in mainstream economic theorizing. Whereas the price mechanism is seen as the main signal for allocating scarce resources according to the market theory (Mickiewicz, 2010), at least in one important instance in the history of war (World War II), prices were largely ignored because they were slow and risky to rely on (Milward, 1979: 100). But these ‘exceptions’ have not been built up into theories of war-time material allocation in mainstream thinking – an approach also underlying EEA.

Situations of war, therefore, should make the application of mainstream economic thinking inadmissible. However, based on an ontological assumption that takes human motivation as universally uniform, the epistemological outcomes of this viewpoint are found applicable in situations of conflict as well (Ginty and Williams, 2009). In fact, market-oriented policy is seen as a solution for war itself, to the effect that the ‘sound conducts’ promulgated by this approach at the global level, if adequately endorsed and implemented, are believed as important for assuaging the motives for conflict or aggressive competition both internally and externally. Its ideal of a unified world brought close by trade and economic openness with little or no regional or national particularities, characterized as “liberal peace”, is seen as morally and economically significant to discourage intra-state and inter-state wars (Rampton et al., 2017). The origins of this thinking go back, in various forms, to medieval Europe (see, for instance, Hirschman 1977 for a discussion on the separation of ‘passions’ and ‘interests’, the latter emerging as a factor that dissuades violence). Related to commerce, Benjamin Constant, a Swiss French politician and thinker of late 18th and early 19th century, argued in his pamphlet *The Spirit of Conquest and Usurpation* that modern it would bring nations so close through mutually beneficial relations so as to make wars unprofitable and a dangerous disruption (Constant as cited in Callinicos, 2012). The subsequent analysis of empirical data in here does not revisit ‘liberal peace’ and pointed it out only to show the extent to which market-oriented thinking is turned into a solution to war as well as peace-time development.

Chapter 5. Method

5.1. Ontology and Epistemology

I believe social reality to have an existence that contains objective content independent of human mind, and exist as multiplicity of beings; i.e., the variety of ways that nature is differentiated into and can be identified, perceptible to human mind as representations of different things in themselves (i.e., chair, table, earth, human, cat, plane, sea, etc.). This viewpoint aligns with ‘dialectical materialism’ or realist ontology which accords primacy to content and being over form (i.e., the ideal) and thought (Kipfer, 2009). Dialectical materialist ontology is encapsulated in the concept “social formation” by Marx and Engels, who argue that “consciousness can never be anything else than conscious being” (Marx and Engels, 1998a: 36–37). The ‘form’ of individuals in the process of becoming a conscious being is determined, among others, by their *production* which does not entail only physical production and reproduction, but also a definite form of expressing life on an individual’s part. Human, in this view, is the empirically perceptible grounds of social reality, rather than being an ideal or a subjectively constructed phenomenon in an abstract rigidity (as with the dead facts in the case of empiricists or imagined subjects as with the idealists). This ontology views social reality amenable to empirical research through sense experience and observation (for a discussion on the distinction between this and other approaches to social inquiry, such as positivism, empiricism and rationalism, see May, 2011 and Markie, 2017).

On the other hand, in this tradition direct experience of the social object is seen beyond human mental reach; that is, immediate understanding of the object is taken to mean reality corresponding directly with what humans observe, in which case there will not remain a reason for systematic inquiry (Harvey, 2012). In social theory, the principle of ‘non-consciousness’ suggests that contrary to the “illusion of transparency” to which all members of the society are spontaneously inclined, social life can be “explained by causes that are irreducible to individual ideas and intensions” and social subjects are not in possession of the totality of the meaning of their actions (Wacquant in Bourdieu and Wacquant, 2007: 8). It is the discovery of the structure that underpins and regulates social practice that forms the subject matter of social scientific research in this tradition – including this one.

This epistemology leads to a rejection of taking social agents' motivation to act as uniform – material allocative motivation in this research –, thence, universal concepts such as ersatz human are seen as “reductionist”; i.e., they tend to reduce the complexity of a social reality, event, or process to a few identifiable variables which can be misleading (see Bourdieu, 2000 for elaboration). Moreover, axiomatic taken-for-granted habits in societies with the modern *esprit de calculation* predominating them, such as wage, saving, credit, birth control, and so on, have definite social conditions of possibility provided by social norms, collective memory, traditional institutions, formal and informal channels of reciprocity, etc., within which economic activities are conducted in an embedded form (Bourdieu, 2000). Thus, the thesis framework takes the issue of *situatedness* (à la Bourdieu) as a point of departure, not to relativize social action but to connect the subjective and the objective social structures as both relevant in providing an explanation for human economic practice. It is the effects of these structures and the *institutionalized* normative and rule-based behaviour that they transmit that the thesis's empirical investigation has attempted to investigate. One important role – perhaps the most important – that habitus as a “thinking tool” (à la Bourdieu) plays in research is that it overcomes the false antinomy of the subjective and objective by studying the *dialectical* relationship of the two as determinant of human practice; neither prioritizing objective structure nor benefiting human agency by viewing it in total control of decision-making.

The thesis epistemology is close to what Blaikie has referred to as ‘retroductive’ strategy of research which involves moving back from observation of data to the “creation of a possible explanation” (Blaikie, 2011: 3). It, therefore, begins with gathering empirical data which, according to Grenfell (2008) is required for a study adopting a Bourdieusian framework. This epistemology is apposite for answering the research questions given neither empiricism (correlation of observed facts) nor idealism (interpreting events only from the actor's point of view) is adequate – due to the reasons given above – to understand and explain what lies beyond observed evidence pertaining to a reality that is definite and contextually specific to a social formation. The research has sought to find objective embodiments that lend themselves to research that correspond to an underlying mechanism; seeking ‘tendencies’ (May, 2011) rather than a relation of cause and effect. I have

relied on the explicit accounts given by the participants to discover the patterns in data that represent these objective embodiments. This source of information is used to construct the normative and rule-based dispositional social practice determined by individual habitus as the underlying mechanism, most importantly how habitus as a generative mechanism shapes the horizon of professional expectations, thence conditioning the a) entry into manufacturing sector, b) the subsequent interaction with the field of production and, c) formulation of adaptive strategies to ensure investment continuation. This empirical analysis has been used, in a subsequent step, to understand the (in)significant role manufacturing has begun to retain in the structure of the economy and to what extent it reproduces the prevalent hierarchy of power (patriarchal family structure) within the production sector. Finally, these empirical analyses are relied on to argue that in a context like Kabul the knowledge of manufacturing has to be brought from the outside through bureaucratic intervention of the state to render it a *taken-for-granted* reality among extant life-chances (a professional possibility).

The study might appear at times theoretical and at times concerned with the practical details of a particular case (the concrete mechanics of what works and what not). Such a distinction between theory and practical knowledge might be unnecessary, for I believe theory is (or ought to be) the articulation of a practical reality a few levels of abstraction removed. The study is, therefore, not informed by concern to build a sound theory of a particular case, neither does it take the examination of the empirical details to such an extent that it forgets their relevance to theory.

5.2. Data Collection Technique and Research Tool

I used conversational interviews (CI) with open-ended semi-structured questionnaires for qualitative data collection. Research (Mittereder et al., 2018) suggests that compared to standardized interviews, CI format – which differs from the former based on the interviewer’s reaction to respondent confusion (CI being responsive) – has shown to improve response accuracy. I also found conversational method appropriate to the context because I anticipated lack of prior exposure to the questionnaire topics among the participants. The CI method could also capture the descriptive potential of language in participant accounts

(see Legard et al., 2003:138 for detail). Interviews were taken in Persian (Kabul dialect) as the most commonly spoken language in the city and transcription was done in the original language (for reasons that are given below under “Thematic Analysis”). Of the 62 interviews taken, 8 were with relevant officials and 54 with investors.

Research objective ‘1’ (see chapter 1, section 1.1.) set the direction for the choice of participants in the study considering that the sources of information for both were the investors or, when they were unavailable in rare cases, the superintendents with an official designation (e.g., marketing officer or general manager) who could provide the required information. Objectives ‘1’ and ‘2’ build on the accounts given by investors and objective ‘3’, as a continuation of objectives ‘1’ and ‘2’, evaluates structural shifts in the economy based on qualitative proxies (these proxies are explained below).

The research data is primarily qualitative but have been rendered into quantitative measures as an aid wherever necessary to identify statistical trends, approaching as such a ‘convergent parallel mixed method’ (Creswell 2014). Predominantly, means and modes have been drawn to this end. Some aspects of the analysis rely on quantitative data to arrive at conclusions but often, qualitative explanations retain their centrality. The full range of the use of numeric data is available in the analysis (chapters 7, 8 and 9). I prepared the questionnaire prior to travelling to the field and included 64 questions based on the following heuristic parameters:

- Descriptive Information Regarding the Unit and production modality
- Social status affiliation of the investor
- Decision-making hierarchy in the unit
- Reasons for Investment Continuation

On average, 49 minutes have been spent in interviewing participants. I ensured that the interviewee responses were focused on the questions, prodding their discussion back to the topics in case of prolonged digression. If the question was about the labour recruitment technique but the interviewee tended toward a discussion of the broader socio-political realities of Afghanistan in a generic way, they were prompted to return to specific and concrete details required to answer the question in hand. Thus, I continuously re-directed respondents to the concrete

details while trying at best, based on on-the-spot judgement of the value of a digression, not to lose the benefits of an accidental new direction in data collection. This minimized the time wasted in digressions and the interviews also lasted shorter to avoid interviewee fatigue, waning interest, and repetitive off-the-cuff responses in a haste to end the session. Doing so necessitated a high number of back to back questions that did not leave unused time-gaps. With time, I could also anticipate from past interviews that, in response to a question, the interviewee might veer off topic. The questionnaire, being semi-structured, also helped to streamline the flow of the interview with pre-given signposts, helping the transition between different heuristic parameters. In addition to these, I familiarized the interviewee with the themes in the questionnaire prior to beginning the interview so as to give them an idea about it, a step that was also helpful in making the transitions without inducing a sense of puzzlement due to the change in themes. The questionnaire was translated into Persian, and the same copy was used for most of the interviews where notes and reminders had been written to bring added structure.

For 41 cases (80 percent) I visited the production units for the interview to inspect the production site and gather observational notes which are used to divide the manufacturing industries in the research based on machine use (see “Case Selection” below for detail) – the remaining 20 percent, as they fell under one of the visited industries, could also be categorized in this way. The field visits corroborate the analysis of ‘asset specificity’ – an important characteristic of this sector in the context (see Chapter 7 section 7.1).

In almost all the cases, one interview was taken. In one outlier case, two investors were interviewed by accident – the duplication was realized only after I arrived for the second interview. I nonetheless proceeded with the second interview, which was focused on parts of the questionnaire that covered topics on the interviewee rather than the production unit. I used the data from the second interview to supplement the first interview. For the remaining 50 units, one individual was interviewed.

The open-ended questionnaire method had the advantage of eliciting information in respondents’ own words, while giving the interview some structure. This may

not have been possible with closed-ended questionnaire which can exclude important responses inadvertently due to its design (Babbie, 2013). Keeping in mind an iterative or constant comparative procedure (Leedy and Ormrod, 2000) I moved back from data collection to data analysis during the initial stage of the fieldwork. This was because paucity of literature on the research topic necessitated a period of open-minded exploration to reassess some of the themes in the initial research design and to refine items under each parameter in the questionnaire, which was mostly coterminous with the pilot stage and thereafter the list of topics discussed in the questionnaire remained the same until the end.

5.3. Evolution of Research Question

I derived pre-fieldwork RQs from online data regarding all forms of productive activities, including SOEs, cooperatives and private sector companies⁹⁵, made publicly available by the Ministry of Agriculture, Irrigation and livestock (MAIL), the Ministry of Industry and Commerce (MoIC), the National Statistics and Information Authority (NSIA)⁹⁶ and other relevant government departments. This proved highly misleading owing to the fact that data by MAIL on cooperatives and MoIC on SOEs had not been updated when both these sources were consequential for my initial design – prepared during 2016-2017 –, which took secondary sector cooperatives as one focal object. It was after entry to the field that these shortcomings came to light. The initial RQs aimed to answer whether deliberative (in the case of cooperatives) compared to top-down/hierarchical (in the case of SOEs and private enterprises) decision-making had a different effect on retaining productive capital in Kabul's conflict-affected market economy. Although the initial RQs had to be modified, the initial hypothesis on the role of decision-making modality as a factor for ensuring investment continuation was appropriate (discussed in chapter 8 section 8.1). With some adjustments in the 3rd heuristic parameter regarding the decision-making modality (now cleared of the questions regarding deliberative component in decision-making) and despite the above changes, the initial

⁹⁵ There might be many other forms that join two or three of the above categories in their management by various degrees and at various levels of management, but on the whole if decision-making modality on resource allocation and income distribution is taken as the denominator, an economy can encompass either public, private or cooperative structures of governance.

⁹⁶ Previously Central Statistical Organization.

questionnaire was adequate for answering the RQs adopted following entry into the field.

5.4. Accessing Preliminary Data

The first step in the field involved harnessing my social network to find an initial opening for data collection, contacting individuals I knew personally; friends, relatives, and social acquaintances. The focus at this point was to gather preliminary data on cooperatives, SOEs and private sector units. Given the limitations for academic research in the context, social network proved invaluable for setting off the initial data collection process. Along this line, a social media post requesting for cooperation was helpful as well, insisting that no personal information should be written for public view and that contact details be sent as a private message to maintain confidentiality.

For accessing data on private sector investments (in general regardless of sectoral distinction), I set up a meeting with the director of the license granting agency, ACBR-IP, through an intermediary. According to ACBR-IP data base, of the 118608 business licenses issued in the post-2001 period, the majority are in trade (51.5 percent)⁹⁷, followed by “Construction” (27935 or 23.6 percent). Combined, these two sectors are responsible for 75.1 percent of all the licenses and if we add “Transit”, “Transportation and Storage” and “Services”, the share of these five sectors which fall under ‘tertiary sector’ by the United Nations classification (United Nations, 2008), make up 88.7 percent of the total licenses issued. Most of the business activities in the country have focused on tertiary sector, followed by manufacturing⁹⁸ (for a full drawdown of businesses by activity see Table-2 in the Appendix). However, these numbers do not distinguish whether these investments, including in manufacturing sector, are still active – the reason why the data base is not regularly updated could be that the ACBR-IP does not have adequate technical personnel or there is lack of coordination between the department that registers and the one that formally attests closure. The problem of non-differentiation of active-closed units also applies to Kabul where 2251 investments for manufacturing (39.9 percent of all manufacturing sector

⁹⁷ The data was given in bulk which was disaggregated based on sector and province using MS Excel.

⁹⁸ This is if we disregard the many duplications and many confusions in the classification of business activities in ACBR-IP data (e.g., “Transportation and Storage” and “Transport”).

investments in Afghanistan) are shown to have been registered. Among them 2206 (98.0 percent) registered during the study period. Only 44 have been registered between 1970 (the year ACBR-IP data begins) through 2001 (see Table-3 in the Appendix for more detail).

For cooperatives, I interviewed an official in MAIL who has researched cooperatives in Afghanistan for an academic study and was subsequently hired by MAIL – the sectoral ministry in-charge of all the cooperatives in Afghanistan – to conduct a survey on cooperatives in 22 provinces in 2012. This survey’s objective was to identify areas for reform. The survey recommended an overhaul (not just reform) of this sector. A new cooperative law was formulated by MAIL and, most importantly, the existing 3000 cooperatives registered in the post-2001 period (the information that had led to my pre-fieldwork research design), were dismantled considering that all of them operated as farmers’ associations and were dependent on government and NGO funding. They were not self-reliant business enterprises and could not pay taxes which they were required to do by law. Based on the overhaul recommendation, existing cooperatives had to either re-define their legal status and register anew as non-profit “farmers’ associations” at the Ministry of Justice to become tax exempt or else, should cease their activities.

To continue the search on cooperatives, I visited the Directorate of Agricultural Cooperatives, the main bureau under MAIL in-charge of cooperatives in Afghanistan, in April 2018. The official I met confirmed what had been told by the previous MAIL staff. Also adding that no new cooperatives have been registered in Kabul based on the revised law and in case I wished to visit other provinces for investigating cooperatives, a formal letter was needed from the head of the Directorate to present to provincial directors of the Directorate. Simply walking in would not do, I was told. Following a ten day procedure (just to give an idea of the time period needed for fulfilling simple steps), three letters addressed to provincial Directorates of Balkh, Baghlan, and Herat provinces were approved. The letter was just in case I had to expand the research to these relatively secure and economically significant provinces should I maintain the original research RQs⁹⁹.

⁹⁹ Based on a 2015 UN Habitat report on Afghanistan’s cities (UN Habitat 2015), Herat and Balkh came second and third after Kabul among Afghanistan’s provinces in many of the report’s indices, including the contribution to the national budget from their provincial earnings which can be taken as one indication of their importance in the national economy.

I flew to Mazar-I Sharif, capital of Balkh province, in July 2018 to explore expanding the research geographic scope because preliminary data showed that the province had witnessed the highest number of new cooperatives based on the new cooperative law. However, the head of the Provincial Directorate of Agricultural Cooperatives in Balkh told me that the new cooperatives are, in their activities and the way they run their business, the same as before; i.e., they operate as farmers' associations and have merely changed their status on paper. Moreover, newly-established cooperatives are all in primary sector which did not meet the criteria for research case selection, and they were also mostly located in insecure districts (Chimtal and Balkh¹⁰⁰). I also interviewed an employee (also a friend) of an international company that implemented USAID projects for business development in six Northern provinces, focusing – by coincidence – on agricultural cooperatives. He had conducted research on all the cooperatives that have been covered by USAID financially. The interview with him revealed cooperative financing, their business model and governance structure, reaffirming what the head of the provincial Directorate had said about the lack of substantial change in how cooperatives were run. This trip was decisive in re-orienting the research thereon, at which point the initial RQs were re-evaluated. Parallel to these steps, I had already begun calling private sector investors in Kabul to set up interviews.

Related to SOEs, I visited the head of the Directorate of Industries Affairs at MoIC and was told that the few SOEs that remain under MoIC's supervision are all inactive. The Directorate did not have information on SOEs under the responsibility of other sectoral ministries (e.g., cement production falls under the Ministry of Mining, sugar under MAIL, printing press under the Ministry of Culture and MoIC, and so forth). However, the Directorate of Public Enterprises under the Ministry of Finance receives all annual balance sheets and revenue information from all SOEs, where I went twice in April 2018 to no avail. In a subsequent visit I could access a document from the Directorate's newly established research and development unit on SOEs, which was also available on MoIC website.

¹⁰⁰ A district in Balkh province is also called Balkh.

On 7 May 2018 (nearly two and a half months after entry into the field), I met the Chief Executive Officer of the Afghanistan Industrial Association (AIA), through whom I secured contact details of a number of AIA members (manufacturing sector producers). According to the AIA Chief Executive, between 200 to 250 production units are located in the Main Kabul industrial park (IP), who are also AIA members. The contact details of all of them were not available because most of them (the list of contacts shared with me included 26 names) often do not visit the AIA office and do so when they confront a procedural difficulty for which they need AIA's support. On 19 July 2018, through the help of the AIA Chief Executive, I attended a meeting of the Afghanistan Steel Association and obtained contact details of its 13 members, of whom 5 later agreed to participate in the study.

Around mid-July 2018, I visited the Directorate of Revenue at the Ministry of Finance – pre-arranged¹⁰¹ by a friend – to explore whether information regarding revenues from different sectors, economic or otherwise, could be accessed – as a measure of the weight of different sectors in the economy for macro-level information. I was given access to data regarding sectoral distribution of revenue collected through taxes and tariffs in the past ten years. The person in-charge also discussed the frequent meetings – four to five per annum – with the IMF officials stationed in the country regarding Afghanistan's economic policies and to include IMF recommendations in the country's fiscal policies.

In mid-August 2018, I visited the other, relatively much smaller IP in Kabul and met its president, who provided contact details of 33 members from a 36 total (3 are inactive). The IP is rented out by a private investor and is located all inside a gated compound – unlike the main Kabul IP which is spread over a much larger neighbourhood and the units are arranged side by side as any regular residential neighbourhood in Kabul without being walled off from public spaces. I found the smaller IP by accident – a participant who had been contacted through phone happened to be located in this IP. Lastly, for data access, I wrote to a Kabul-based foreign NGO in September 2018 – about which I heard through social contacts – which has been active in rehabilitating traditional handicraft in Afghanistan,

¹⁰¹ To reiterate, simply walking into a government office in Kabul, even with a University letter confirming research student status, is time-consuming and often in vain because bureaucratic or regulatory approval of such a letter may not exist or the functionary receiving it might simply choose not to cooperate. Taking such formalities seriously is mostly a product of personal ties.

covering 36 small production units. I was given access to one of the producers, a jewellery producer located near the vicinity of the NGO's headquarters.

5.5. Case Selection

The four criteria for recruiting participants was that a) they fitted the UN economic classification category (UN, 2008); i.e., they were secondary sector units - the term 'secondary sector' denotes the activities under Section C of the United Nations' International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 4 (UN 2008); b) they were physically located in Kabul or maintained the majority of their sales operations in the city, c) they were established and registered in or relocated to Kabul between 2002-2018 and d) that the unit had on minimum five members, including the owner, members of the management team, and workers. Those only working inside the unit were included under the category "worker". In reference to the unit of analysis in the study, I refer to them predominantly as "production unit" (or "unit" for short). This is a single production entity that is located in a geographic premise, is equipped with assets to operate in a self-sustaining manner. A company, on other hand, can be comprised of one or many units located in a single location or in various locations..

Keeping the case selection criteria in mind, I applied both simple random sampling and stratified random sampling for recruiting participants – the latter for cases in Industrial Parks (IPs). For simple random sampling, any unit based on the above criteria could be recruited for the study without pre-designed preference based on industry, gender, education level, specific location inside Kabul, and other such properties. Both the above methods were used based on their utility as non-biased sampling methods. Random sampling also allowed for recruiting as many participants as possible, which was useful particularly because recruiting participants was highly challenging. Some of the reasons for the difficulty in recruiting participants in the context is discussed in section 5.8. in this chapter.

I approached 213 potential participants through phone calls. This is excluding other calls, personal visits, emails and communication to establish needed contact to prepare for other aspects of the fieldwork. Phone calls were the most efficient way to contact potential participants because use of other communication tools

(e.g., emails, fax, or letters) is not common in the context or difficult to rely on, as use of internet is rare. Participant recruitment for the study happened through the contact information from the sources described above. Of the estimated 200 to 250¹⁰² units located in Kabul's main IP (see Figure-7 for location), 27 were investigated, and of the 33 units in the smaller IP (see Figure-8 for location) I researched 4. In three cases, the locations of the production units were in Parwan, Kapisa and Baghlan provinces (see Figure-9 for location relative to Kabul), but the company headquarters were in Kabul. The remaining 17 units were located outside IPs and scattered in different locations in Kabul city. The research on aggregate investigated 53 companies (most of them comprised of a single unit), among which 2 did not meet the second and third criteria and were removed from the analysis. The interviews have been taken in "semi-natural" settings (see Blaikie 2004, p.28); that is, participants were not actively performing their routine and had to set aside some time for the interview but in most cases, they were not required to leave the production unit or their company headquarters.

Figure 7 - Main IP in Kabul



Source: Google Maps

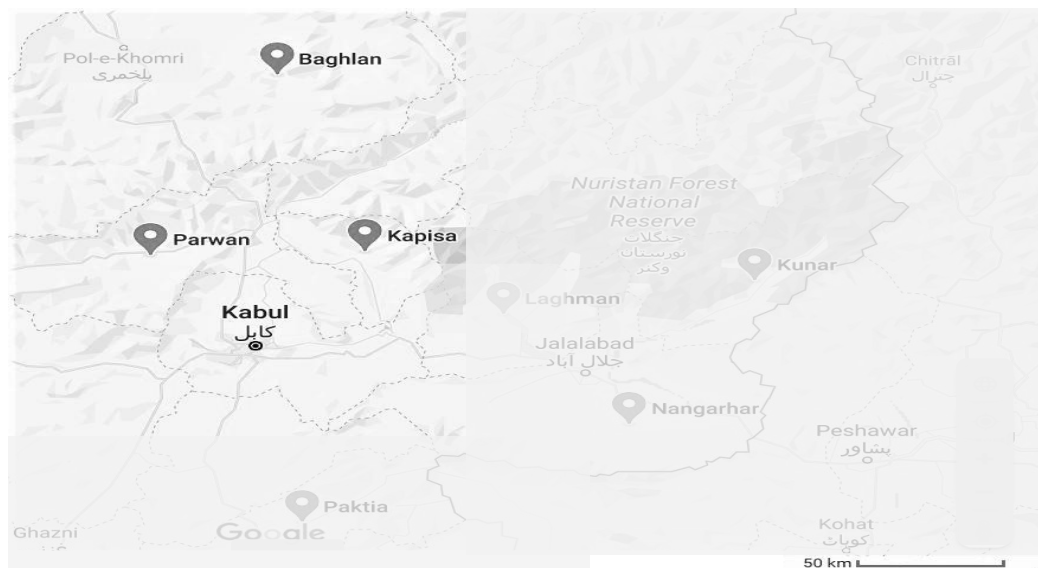
¹⁰² The exact number was not known to the head of the Afghanistan Industrial Association (MKAAlA070518) due to irregularity of contact between it and its members.

Figure 8 - Bagrami IP



Source: Google Maps

Figure 9 – Locations of Baghlan, Parwan and Kapisa provinces relative to Kabul



Source: Google Maps

Although representativeness of the study sample was not a concern due to the in-depth qualitative nature of the research, some important points to this effect should be mentioned. From the 51 units in the research, 40 (78.4 percent) were members of an inter-sectoral or inter-industrial collective where investors gather to discuss common issues, difficulties and devise collective strategies, including consolidating their ‘bargaining’ power when meeting with government agencies and NGOs for negotiations to push for supportive policies. The opinions given by these regarding the conditions in the environment (discussed in chapter 7 –

including insecurity, international and national competition, domestic sales habits, access to credit, etc.) can be considered as reflecting a general picture. Of the above 40, more than half (24 units) are members of a sector-wide association, 7 are members of a sector-wide association but also have membership in an industrial cluster¹⁰³, 7 are members of an industrial cluster only, and 2 are members of a gender-based sector-wide association – specializing in promoting women’s entrepreneurship. From the 40, 7 have leadership positions in their sectoral associations or industrial clusters.

Moreover, regarding the relatively most capital-intensive industry in Kabul, iron smelting and rod production, from the 13 members of the Afghanistan Steel Association, 5 were researched (all these units were also in the Main IP in Kabul). Of the 23 members of the association of producers of electricity-related items (panel boards, cement poles, electrical wire), 7 were researched. Furthermore, the choice of simple random sampling helped in recruiting participants from a diverse set of industries:

Table 2 – Industries in the Research

Food	Iron Melting and Iron Rod	Pharmaceuticals	Cement Poles
Panel Board (Metal Box, Switchboard, etc.)	Detergents	Cold Drinks	PVC Pipes
Electrical Wire	Plastic shoes and Sandals	Handicrafts (Clothes and Jewellery)	Hygiene Products (Pampers and Tampons)
Tissue Paper	Gas Cylinder	Plasticware	Printing Press
Sanitary System (Fittings, Taps and Pipes)			

¹⁰³ Units from the same industry (e.g., plasticware, cement poles, electrical wire, etc.) forming an inter-industry support group. This is different than sector-wide associations that can include members from all kinds of manufacturing activities and are not exclusive based on industry.

Variation in the industries did not interfere with answering the RQs and in most cases, interviews were taken simultaneous to the visit to the production site; usually the participant her/himself giving the tour and explaining the different production stations. Maximum three interviews could be taken in one day, but often one could be taken due to myriad logistical issues – discussed in detail below. Following the pilot stage, study population was narrowed down to the owners of private sector investments in secondary sector. In four cases where the investors were not present, the interview was taken from superintendents who had decision-making authority.

As mentioned above, field notes from production sites were used to break down the units based on machine use – this was used to analyse asset specificity in chapter 7 section 1.7.1. In terms of sophistication of machines, the units researched in the study can be classified into four categories based on a) the steps the machine performs that are automatically linked to each other and b) non-involvement of human manual input:

Category 1: In these units, automation is not involved, and separate machines are operated by human hand. Machines, on their own, do not perform any transformation of the raw material based on its internal design. Meaning, steam and electricity – operating the machinery based on the principle of continuous rotary motion (see Bresnahan and Trajtenberg, 1995) – are not used in these units. These include artisanal secondary food processing¹⁰⁴, handicrafts¹⁰⁵, gas cylinder¹⁰⁶ and toilette sanitary fittings¹⁰⁷. Human hand carries the raw material, shapes it using manually operated tools, handles the output, packages and stores it in the warehouse. Human hand moves the input and output between stations. In this category there is no great variation between different units. Except for HMKM-P and NUHM-P which rely on numerous purpose-built machineries and is closer to electricity panel board units in the complexity of its machinery use, they do not utilize any in-built automation in the machine to transform the raw material, relying entirely on human hand to operate all the production tools.

¹⁰⁴ ABNM-P; HM-U; MMF-P; MSM-P; NMF-P; RHF-P; ZKF-P

¹⁰⁵ FBF-P; MAM-P; NGF-P

¹⁰⁶ HMKM-P

¹⁰⁷ NUHM-P

Category 2: In this category, the main machinery or multiple separate machines consume electricity to operate. Each machine, based on in-built capacity, performs one step to transform the raw material into a finished good or prepares it for assembly. These separate steps are not linked to each other through in-built automation and each machine operates as an independent component. These include units producing electricity panel board¹⁰⁸, cement poles¹⁰⁹, detergents¹¹⁰, plastic shoes and sandals¹¹¹, plasticware¹¹², printing press¹¹³, and secondary food processing¹¹⁴. In these units, transporting the raw material, feeding it into the machine, supervising the machine during the single-step production process, and packaging the finished good is done by human hand.

Category 3: These units rely on machines which performs two to three steps. These steps are linked to each other; either the machine automatically carries the material based on an initial program or a human intervenes in each step to input the command. Prior and after these steps, production is dependent on human hand to carry and feed the raw material, input the commands (temperature and the specifications of the product), supervise the machines during the steps it takes to produce the finished good, package and transport the output to a warehouse or to the client. This includes units producing iron melting and rod¹¹⁵, PVC pipes¹¹⁶, and electrical wire¹¹⁷. In one outlier unit, which produces pharmaceutical products¹¹⁸, categories two and three are both used. For producing some products (ointments) the machine adds one step, the subsequent steps being handled by human hand. While other products (such as cough syrup) use machines that perform more than one step.

Category 4. In these units, the machine in use performs more than three steps that are automatically linked to each other. This includes units producing cold

¹⁰⁸ AAM-P; HSSM-P; BAM-P; MAAM-P; NM-P

¹⁰⁹ AM-P27; MM-P

¹¹⁰ AM-P18; MWQM-P; NAAM-P; SNMM-P

¹¹¹ BM-P

¹¹² HRKM-P; HSM-P; NSM-P; QYM-P

¹¹³ DAAM-P; MTM-P; MZM-P15

¹¹⁴ ABM-P; MZM-P23; SNM-P

¹¹⁵ AGHM-P; NNM-P; PKZM-P; ZMM-P

¹¹⁶ BAKM-P; DMYM-P; HSMM-P

¹¹⁷ BHM-P; JKM-P

¹¹⁸ AMPM-P

drinks¹¹⁹, female hygiene products¹²⁰, detergent¹²¹, secondary food processing¹²², and tissue paper¹²³. In these units, a larger variation between the units exists in terms of human labour involvement. In ARHM-P, JM-P, GZAM-U and MSSM-P machines play the main role in carrying the raw material to the production station where multiple steps lead to the finished good that is also packaged by machines. In regard to HKGM-P (tissue paper) and FM-P (female hygiene products) there is more involvement of human hand in the packaging process and the distance between the raw material and the finished good requires fewer steps compared to the above four.

5.6. Thematic analysis

The themes identified in the data through a first reading and coding process are the AIEs that were discussed in chapter 3 section 3.6. Through an application of qualitative thematic analysis, lay language was coded, and the themes were developed based on them, which were subsequently integrated into abstract concepts to provide theoretical coherence using Norman Blaikie's *Approaches to Social Enquiry* (Blaikie, 2011). I also used the guidelines explained in Guest et al. (2012) and attended a University College London Doctoral Skills Development Program on thematic analysis in the first year of my PhD, conducted by Dr Lorelei Jones, Senior Research Associate, Department of Applied Health Research, University College London.

The analysis period begun with transcription and coding the interviews after leaving the field. Transcription was done in the original language – Persian – using Express Scribe Transcription Software which was operated without formal instruction. I transcribed all the 52 interviews with private sector investors and 6 interviews with relevant officials. Two interviews in the latter category were not recorded¹²⁴ and did not require transcription. Transcription of all the interviews –

¹¹⁹ ARHM-P

¹²⁰ FM-P

¹²¹ MSSM-P

¹²² JM-P; GZAM-U

¹²³ HKGM-P

¹²⁴ In one case, the interview took place inside the Presidential palace with a high-ranking official of the President's High Economic Council. For this, I was not allowed to bring anything to enter the Presidential compound. The other interview took place impromptu for which I did not have my recorder on me and took notes.

except the ones that had been used for the pilot stage – begun after returning to London. I transcribed them myself due to reasons of method, efficiency and finance. Considering the issue of method, transcription of interviews taken in Persian had to be done in the original language considering that the thematic analysis depended on patterns in the original language. Moreover, I did not recruit any paid assistance for this because of the analytic merit in transcribing the interviews myself. Many of the patterns in the data that were subsequently used as the basis for coding were revealed while doing the transcriptions. In terms of efficiency, I could not entrust the important work of transcribing the interviews to a paid transcriber considering the legitimate doubts I had concerning the inadequacies of a paid transcription service in London for Persian, which would require a reworking of the transcription to remove these inadequacies later on. I preferred to transcribe the interviews personally to avoid both the efficiency concerns and the time-delay that such an exercise might entail. From a financial standpoint, the charges of a transcription service were avoided by doing the task myself. My previous professional experience as a transcriber working, on and off, for an Australia-based company during 2010, 2011, and 2012, also proved helpful.

For coding, the book *Coding Manual for Qualitative Researchers* by Saldana (2013) was used as a guide. I received instruction for using the coding software Nvivo during the first year of my PhD in a University College London Doctoral Skills Development Program and after returning from the field, I followed refresher courses online (e.g., YouTube videos by the Nvivo software developer QSR¹²⁵). The coding process begun after all the transcriptions were over merely out of respecting a work sequence, resulting in 32 codes or ‘nodes’ (refer to Table-4 for a drawdown of all the nodes). From the above, 67 sub-codes or ‘child nodes’ developed. Not all the codes were used in the analysis due to issues of scope. The decision regarding the relevance of codes was made as the analysis proceeded, keeping in mind the coherence and inter-related parts of the data that complemented each other for answering the RQs. Different themes under different codes have been cross-referenced in the analysis.

¹²⁵ <https://www.youtube.com/watch?v=AczCzACaLtc&list=PLNjHMRgHS4Fd7g4Q1BQuQgm-gLxy97FqY>

Due to format incompatibility with Persian text on Nvivo (it disturbed the right-to-left alignment of sentences), all MS Word documents were converted to PDF. This posed the difficulty of coding the text in bulk without being able to code words, which deprived the coding process of the facility to use Nvivo for finding word frequencies and other capabilities of the software. The software was therefore mainly used to identify themes, mark them, and have access to all the interviews by keeping them in one Nvivo file. It also helped in making notes and marking other interviewee specifications (e.g., the industry, number of workers, number of years, estimated value of assets, etc.). Each interview was coded separately considering that pattern identification in the data was based on individual experiential accounts. All the parent codes or nodes did not emerge with one interview even though the transcription process did point toward emergent patterns. However, with the introduction of every new parent code, previously coded interviews were re-coded to avoid excluding data.

5.6.1. Note on Language, Referencing and Numbers

Persian words, although important in grasping the colloquially specific nuances of participant accounts, were not directly used for constructing codes. Linguistic symbols were only instruments for arriving at relatively coherent themes. In the thesis, wherever colloquial terms have been used to arrive at contextual specificities and meanings, this has been mentioned in the analysis. Text inside brackets [] by me is also meant to reduce the confusion that a verbatim translation might have led to for the reader. Moreover, all Persian words have been transliterated, written in Italic font to establish a distinction with English text. In most cases, the English term is written inside quotation marks followed by the italicized original word in Persian written inside parenthesis. For example, the word challenge has been written as “challenge” (*janjaal* or *moshkelaat*). Regarding the original words for which rough equivalents exist in English, some explanation has been added inside parentheses following the transliteration. For example, the word *showqi* does not have an exact equivalent in English and can mean passionate, eager, risk-taker, oblivious, lover, frivolous, reckless, interested, gambler and profligate based on the social usage of the term in Kabul’s society (the word is derived from the Perso-Arabic root *showq*, which also has various

meanings surrounding the notion of desire and strong enthusiasm¹²⁶). Such words have been translated with their nearest equivalent, followed by a brief description to add the socially common nuances absent in the English equivalent. In view of the fact that translation could not be used for the analysis in the same way, depriving the research of directly having access to the language the participants used in their answers, none of the interviews were translated. I am, in addition, fluent in reading, writing and understanding Persian as my native language and have received formal education in it.

The initial letters in the code used to designate a company are arbitrarily assigned letters without a particular logic to ensure utmost anonymity, followed by gender ('M' for male, 'F' for female) to give an idea of the differences along gender lines. Next to "-" the word 'P' indicates "Private" and 'U', "Union" (U has also been used for "Association"). This is maintained in all instances except AM-P18, AM-P27, MZM-P15 and MZM-P23 which have numerical signs to distinguish them. In the text, the code has been mentioned with the product associated with that particular company written inside parentheses. For example, with regard to JM-P (cooking oil), 'J' is the arbitrary letter, 'M' is the participant's gender, and 'P' shows the company is owned privately, and lastly, 'cooking oil' inside the parenthesis denotes the industry. Sometimes, this order is reversed; the industry is mentioned first, and the company code is mentioned inside parenthesis. For example, 'electricity panel boards (AAM-P)'. When the industry is irrelevant in the thematic discussion in any section of the thesis, mention of it has been avoided for reasons of brevity. Words, phrases, sentences or paragraphs inside quotation marks in the analysis section are direct translations of participants' words from the original language. As such, any arguments, assertions, points, hints or insinuations mentioned inside quotations that do not build toward a coherent argument in a section should be understood as merely in the assistance of the general argument that the research makes in that particular section – not as claims made by the research.

Some other editorial points need mentioning. The thesis has followed 'Sage Harvard' in-text citation and bibliography style. For non-integer numbers, decimals

¹²⁶ Based on the definition by *Loghatnaam'e Deh'Khuda* Persian Dictionary.

have been rounded up after the first digit after the separator. For example, 9.356 has been rounded up to 9.4. All monetary values have been converted to their United States dollar value for ease of comprehension, for which the sign “\$” has been used before the figure, followed by “k” for thousand, “m” for million and “bn” for billion without space. Afghani amounts have been exchanged to their dollar amount using the online currency converter freecurrencyrates.com. In order to avoid reflecting the day-to-day exchange rate alterations from afghani to dollar, an average between the highest (Afs. 75.7 = \$1) and the lowest (Afs. 68.5 = \$1) of the exchange rate in 2018, equalling Afs.72 = \$1 was used in the analysis. In regard to dates, the ‘dd/mm/yyyy’ format has been used throughout the thesis.

5.7. Note on positionality

Assuming that ‘absolute’ objectivity (however this is interpreted) is beyond the reach of a human researcher, more so when some emotional investment is involved in the case being studied, and if all other biases in-built into the researcher’s constitution are somehow tamed and kept in check, the bias transmitted through the use of language itself being a problem that has busied logicians and philosophers in recent history; showing its tenacious intractability, I have strived nonetheless to the extent permitted by my intellectual commitments and personal capabilities to gather as complete a set of empirical data as possible, with the means at my disposal. This is to provide an approximation of an ‘objective’ view in the usual sense of acting ‘un-biased’ and ‘fair’.

Nonetheless, my education, both formal and autodidactic in heterodox political economy has had a significant role in directing my intellectual and research interest, in this included. For choice of topic, my interest and curiosity were supplemented by my lived experience in Kabul during various stages of my life. These reasons notwithstanding, I have followed a rigorous discipline in reading the data patterns, a stage in the analysis during which I set aside the intrusions of personal judgement to bolster a regularity-based grasp of the themes in the data. The analysis of this regularity and its interpretation, on the other hand, is a factor of the researcher’s informed gaze, her/his personal history, her/his ethical and social commitments (albeit indirectly through providing academic input for use in

policy), the language (s)he uses and other such factors; in short, the researcher's habitus – which I fully own up.

Data collection process was strictly inductive based on the four heuristic parameters. I have relied only on participant accounts to subsequently plug them into the conceptual themes that represent the data regularities. The discovery of the underlying mechanism at work through the experiences of the participants is constructed by using their own experiential account. The inductive strategy of data collection has not been tampered by *a priori* theoretical considerations. In the explanation of the regularities, on the other hand, I have adopted a retroductive strategy for which I have relied on a conceptual model developed through the application of the Bourdieusian framework.

Moreover, in the field, my coming from abroad (United Kingdom) formed one important content of introductory presentation to the people I met and to whom I introduced myself as “a PhD student studying manufacturing activities in Kabul, coming from a University in London, United Kingdom”, a habit I maintained consistently during the preparatory stages of interviewing officials and asking them for vital data, during the pilot stage and subsequently during the entirety of the data collection process. I cannot generalize what impression this might have had on these encounters, but this ideational item cannot be discarded, as I made it explicit in each meeting that was research-related.

The normative elements of building the model of a patriarchal family in Afghanistan have relied on literature (most importantly the Quran as Islam's most sacred text) but the conception of it is not devoid of my own first-hand observations as a member of the Afghan society. I was born into and raised in an Afghan family and left its confines at the age of eighteen, to which I have not returned in the sense of being a physically present permanent member but have paid occasional visits. This has provided me with an intimate knowledge of the Afghan family structure, a structure which unfortunately still remains mostly obscure to outsiders apart from a few cultural tropes that speak to the entirety of the Afghan society. Though not scientific-observational (no one lives their normal life with a social scientist's gaze from the start), the tacit knowledge derived this way was significant in my

understanding of this social unit – Afghan family as an ideal type and in regard to the AIEs that are relevant to my research.

5.8. Note on Ethical and Logistical Issues

All participants were handed a translated consent form and information sheet upon arrival at the meeting place, were given adequate time to read them, and sign the consent form either before or after the interview. They were assured in written and verbally that their participation is voluntary and can be withdrawn at any point. I clarified and explained the consent form and information sheet if requested. Apart from these procedures, I did not acquire any additional documentation or letter from an official authority for the interviews or for visiting the production facilities given that the main persons who had such an authority (the investors) were being interviewed, who were well-positioned to provide the data and give permission to visit the production site. Government research ethics or a bureaucratic agency granting research license do not yet exist in Afghanistan, to my knowledge.

I did not hire a research assistant and all the interview appointments, field visits, storage of interview records, re-evaluation of the research tool, transcriptions and other logistical matters were handled by me. Participation in the research was non-pecuniary and did not involve any other quid pro quo. I pledged to share a copy of my final thesis upon the participant's request if done so in future (my email address was shared in the information sheet should the participant wish to maintain contact in this and in any other form related to her/his participation). My early observations during the pilot stage highlighted ambivalence or reluctance by some prospective participants (i.e., an investor who had tentatively agreed to participate in the research, but the timing was still in future and not fixed) to take part in the research due to the pre-interview protocols and air of formality. The first participant who was recruited through a friend informed me that his willingness to participate and put trust in me was because of the friend, other investors unlikely to do the same as they are often reluctant to share too much detail because of worries concerning replication of their activities by a rival producer – me as a potential informant of another producer. I encountered 11 failed interview attempts; interviews that were agreed upon, toward which preparations were made, such as travelling to the interview site, but the interviewee changed their mind. Reasons for this varied,

including unwillingness to give details and only willing to provide generic information (which cancelled out the purpose of the interview for answering the RQs), going through the information sheet and refusing to sit for the interview after, sheer reluctance to participate without giving any reason, and due to other unforeseen events in the city that made commuting impossible. The formality involved in presenting the consent form and information sheet and requiring signature, was seen to make a prospective participant doubt whether the research really was what I said it was and not some other binding scheme disguised as a research. This was a challenge specially with those prospective participants who were not literate to go through the information sheet and reassure themselves (I wrote a report pointing out the issue with the formality of research, which I sent on 24 September 2018 to the UCL Research Ethics Administration).

Minimal requirements of empirical research, for either qualitative or quantitative data, are mostly not present in the context due to the novelty of the institutional preconditions of such an academic undertaking. This shortfall is exacerbated by any or all of the psychological and physical impacts of four decades of war, including: a) investor weariness to share anything beyond a thirty minutes to one-hour interview – that too after cautious entreaties and numerous coordination hurdles in a place like Kabul – , b) novelty of the term “scientific research” (*tahqiq’e elmi*) in the context among the target group and the legitimate concerns this word’s association might cause – *tahqiq* is more commonly used in the context of “legal prosecution” (*tahqiq’e qazaayi*) or a “criminal investigation” (*tahqiq’e jormi*) –, c) suspicion among private sector investors out of a competitive urge to safeguard their investment from external encroachment, state tax agents or domestic or regional intelligence agents, a feeling that can be reinforced by the effects of the securitized socio-psychological environment of war and a siege mentality, d) the weakening of communitarian commitment and the personal disposition to help another while dealing with the situational burdens of running a business in Kabul, among others. Method options are severely limited, therefore, to either the account the investor her/himself gives during the interview (which is highly subject to human cognitive fallibility, if not outright deception) or reliance on abstract international and national statistics in case of macro-level studies which are very difficult to corroborate – this did not concern me as I did not wish to undertake a macro-level study.

In terms of logistics, I commuted to all the appointment locations by personal vehicle or hired taxicab. Pre-planning for arranging the timing of interviews could not be held on to in most cases because of logistical issues. One important hurdle had to do with road traffic, some of them getting temporarily blocked due to security reasons, which made pre-arrangement unreliable. To remedy this, prospective participants were told in the initial call to expect a confirmation call on the day of the interview a few hours prior to the pre-arranged time of the meeting. This was also to double check whether the participant was still willing to sit for the interview and had available time, considering that conditions could change during the interval between making the first call and the date and time the interview was set. This was a recurring problem in Kabul where timekeeping and prior commitments of this sort proved quite loose and unreliable. This is why a prospective participant had to be called several times, especially an hour before the interview. Arranging to call prior to the interview time also worked as a reassurance for the prospective participant that I had not forgotten our rendezvous. This may again have to do with the fact that timekeeping and precise daily schedules are not that common in the context (or trusted due the high degree of unpredictability of future conditions) and calling prior to the interview displayed my intent that I am still committed to the previous interview arrangement. Otherwise, showing up even on time based on a pre-arranged appointment without the pre-interview call could be taking a big chance. This is because reneging on a meeting promise was not declared outright most often, one sign of reneging being not following up with a pre-interview call – at which point, the prospective participant could assume I was on my way to the interview site as well as considering the interview cancelled. All this is if they still remembered me, which was another reason why I called to re-introduce myself (and, in some cases, re-recruit them with the reminder).

Finding the right address was another time-consuming hurdle due to Kabul not having an identifying municipal system for streets, roads, houses and postal codes. Searching a location had to be done based on detailed instructions about important landmarks surrounding the destination and other such details (e.g., a large tree, a nearby shop, a sharp turn of the road, etc.). This also required frequent on-the-way phone calls to make sure the path taken is the right one.

Chapter 6. Data Analysis - Habitus and Practical Knowledge of Production

This chapter attempts to answer the first RQ and advance the thesis argument, namely the structuring effect of habitus regulated by AIEs that have led to the investment of private capital in manufacturing activities among the cases in the research. The aim in here is to highlight the socially-contingent nature of the *practical* knowledge of manufacturing, a knowledge limited in the context due to the sector's novelty. The implication the thesis derives from this sparsity of practical knowledge is that materially manufacturing sector has not taken a structurally significant role. The AIEs as micro-analytic institutional tools are applied for explaining the underlying mechanisms at work for inducing the initial decision to invest. This chapter then relates the findings to the first qualitative proxy of significance (QPS – see chapter 1, section 1.3. for detail); namely, horizontal mobility of capital (for elaboration, see chapter 1, section 1.3).

The strategy for the analysis of data, as explained in chapter 5 (section 5.6.), was guided by approaching the raw data sans *a priori* theoretical assumption, seeking to find patterns in data. Part of the data for this RQ was based on directly asking the participant to provide a narrative history of what induced their decision to invest in the secondary sector and why this sector and not another one. The other way this information was collected was through the un-prompted accounts given by the participant prior to the place in the interview of the aforementioned question (which was rendered redundant). The AIEs I apply in this chapter are the following: 1) obeisance; role emulation; perpetuation; 2) Trust and non-pecuniary, non-committal, and non-reciprocal social relationship (the three N mechanism hereafter); and 3) responsibility toward homeland and communitarian norm. These AIEs of habitus have conditioned the initial decision to enter manufacturing sector in majority of the cases investigated. The institution of 'market' at some level of information-gathering has been seen as significant – such cases being rare.

I should emphasize that the *initial inducement* points to the structuring effect of habitus conditioning the 'livelihood strategy' in the form of investments in manufacturing, not what this livelihood strategy is meant to achieve which is self-evident: to generate 'economic' profit. It can be argued that 'economic' profit is

adequate to explain both the initial inducement structuring the investment decision and what it is meant to achieve subsequently. However, 'economic' profit is an inadequate reasoning for why, out of all the profitable activities, secondary sector was chosen for the investment and, even more, why a particular industry in the secondary sector. Particularly when, as will be discussed in chapter 7, section 7.2.2, information regarding the present or future prospects of the industry in which they intended to invest was unavailable to the investors at the point of registering their business. Neither do all individuals in a society who are interested in 'economic' profit (anyone working in a remunerative profession) can and do end up investing in secondary sector. Given these, 'economic' profit should be seen as not the initial inducement behind these investments but merely as their outcome. Hence, the initial inducement denotes the structuring effects of the socially-contingent practical knowledge of the profession of manufacturing.

A complex decision-making process is witnessed whereby multiple AIEs are seen to have been involved in inducing the investment decision, complementing each other and in combination having conditioned the decision. Some AIEs foreground an objective life trajectory, a life-history and practical exposure, underscoring the habitus' development in the professional domain (e.g., "I invested in this because my family has been in this trade for generations") while other AIEs stress a personal and subjective (or aspirational) interest of the investor (e.g., "I invested in production because this is my country and I want to serve my country and its people"). Dividing these into objective and subjective/aspirational, I have conceded the former more weight because they are less likely to be based on an *ex post* sentiment, while subjective-aspirational interests can be *ex post*. That is, a person *feeling* a certain way toward a profession only because they have spent many years doing it, inclined to also retroactively cast their present subjective experience to explain for why they made the investment decision in the first place. Aspirations can also be a common normative determinant among larger members of a society but not in all of them will this factor lead to an investment in manufacturing activities – it is hard to discern a clear link between the two.

6.1. Habitus Structuring Investment Decision

It bears mentioning that in Bourdieu's theorization, habitus works:

“...as a system of dispositions, that is, of virtualities, potentialities, eventualities – only in reference to definite situation. It is only *in the relation* [emphasis in original] to certain structures that habitus produces given discourses or practices” (Bourdieu and Wacquant, 1992, p. 135)

Therefore, seeing a direct transfer of father’s profession to the son as a structuring effect of the latter’s habitus would be a misreading of the concept, as too “mechanical”. The correct way to see habitus, Bourdieu argues is to accept the possibility that from the disposition produced in the family environment any number of decisions can spring up. What determines or regulates the decision by habitus that is preferred over alternatives in relation to a “definite situation” (say, the choice of earning a livelihood) is, I suggest, norms and rules that constitute and govern this decision. These norms and rules are embedded in the ‘mega-structure’ family that I believe is internalized by the habitus which subsequently regulates social practices. Taking the definition of habitus as a generative mechanism structuring human practice that also includes the internalized knowledge of AIEs as order-giving mechanisms for human social conduct, explains how this generative mechanism chooses one and not another decision. Among the cases investigated, the structuring effects of habitus can be observed through the following AIEs.

6.1.1. Obeisance, Emulation and Perpetuation

In over three-fifth of the cases (64.7 percent)¹²⁷ ‘obeisance, emulation and perpetuation’ is the most significant factor as the AIE structuring the investment decision. Combined, the two objective factors ‘6.1.1.’ and ‘6.1.2.’ (below in this chapter) have *explicitly* relayed the practical knowledge of manufacturing to nearly four-fifth (80.4 percent)¹²⁸ of the cases in the research. Moreover, this factor and factor ‘6.1.3.’ (below in this chapter) are stated by an overwhelming majority (94 percent), from which 36.2 percent¹²⁹ overlap; the initial inducements in these cases are seen to have been structured by both ‘6.1.1.’ and ‘6.1.3.’. In 34.6

¹²⁷ ABM-P; DAAM-P; MTM-P; AMPM-P; AM-P27; BAKM-P; BM-P; JM-P; MSSM-P; MEWM-P; ZMM-P; FBF-P; HSM-P; HSSM-P; PKZM-P; DMYM-P; MM-P; NSM-P; HSMM-P; BAM-P; BHM-P; MAAM-P; NM-P; GZAM-U; SNM-P; NUHM-P; NGF-P; QYM-P; ZKF-P; MAM-P; MMF-P; RHF-P

¹²⁸ DAAM-P; MTM-P; AMPM-P; AM-P27; BAKM-P; BM-P; JM-P; MSSM-P; MEWM-P; ZMM-P; FBF-P; HSM-P; HSSM-P; PKZM-P; DMYM-P; MM-P; NSM-P; HSMM-P; BAM-P; BHM-P; MAAM-P; NM-P; GZAM-U; SNM-P; NUHM-P; NGF-P; QYM-P; ZKF-P; MAM-P; MMF-P; RHF-P; ABNM-P; HRKM-P; NAAM-P; SNMM-P; AGHM-P; NNM-P; JKM-P; MZM-P15; MWQM-P

¹²⁹ BAKM-P; MEWM-P; ZMM-P; FBF-P; HSM-P; HSSM-P; PKZM-P; DMYM-P; NSM-P; HSMM-P; BHM-P; MAAM-P; NM-P; GZAM-U; ZKF-P; MMF-P; AM-P27

percent¹³⁰ of the combined cases, only '6.1.1.' is observed as the dominant structuring factor. There is only one case¹³¹ that overlaps between the three structuring effects.

By obeisance as an AIE I refer to a non-inquisitive compliant disposition that is inculcated within the hierarchical relationship in the family environment. Emulation and perpetuation follow similar logics, except that in the case of emulation it is a direct copying act of the authority figure's profession by another family member – as an 'heir apparent' –, whereas, in regard to perpetuation the attempt is to follow the professional heritage of the family by embracing it as one's own. I should note that the outcome from all these three accrue both in terms of the 'economic' profit through production and exchange, but also through symbolic capital. The act of investment based on the above AIEs is legitimated by ascribing it a symbolic importance as it demonstrates one's respect to the authority figure and the family heritage. Meanwhile, the patriarchal family division of labour based on gender, men being in-charge of 'outside' and women being in-charge of 'inside' the household affairs, often gives the male member the right to play the role of heir to the authority figure.

The history of the authority figure as involved in a profession is seen to have exposed the participant to that profession from early childhood, rendering it a familiar option for emulating¹³². The participant in one case, referring to the industry in which the investment is made, said of it as a profession "in which we were from a long time ago", and an investment they had made in real estate as "something temporary". Or¹³³ the authority figure, having worked in a field during his life, has directly instructed his children to pursue a profession that would align with his career. An erstwhile University professor, facing financial hardship after immigrating to Pakistan during the escalation of war in Afghanistan, instructs his sons and daughters to sell books because, to him, this line of work was socially upright compared to other options. The concern for symbolic legitimation in this case is more palpable, given that the choice of industry clearly indicates a

¹³⁰ ABM-P; DAAM-P; MTM-P; AMPM-P; AM-P18; BM-P; JM-P; MSSM-P; MM-P; BAM-P; SNM-P; NUHM-P; NGF-P; QYM-P; MAM-P; RHF-P;

¹³¹ HSSM-P

¹³² ABM-P

¹³³ DAAM-P

disavowal of the only-monetary pursuit and was meant to accumulate symbolic capital as well – for a University professor who could no longer retain his home country social privileges, and was undergoing financial distress, the strategy to balance the material and the symbolic concerns could be realized through selling books which was the strategy available to him to link a material pursuit with an intellectual one. The participant in the research, the president of the company and one of the sons of the University professor, and his siblings too see the venture (now 25 years old and grown into one of the largest printing press enterprises in Afghanistan) more than its material profit-making aspect because of its emotional association with their father, who has long passed away.

In a similar case of emulation¹³⁴, the decision by another owner of a printing press to enter the industry was structured by his practical knowledge of this field, growing up in a family where the authority figure worked in a state-owned printing press during most of his professional life (having retired two years prior to the date of the interview). The unit has been established without any significant equity and was built up based on the father's knowledge of the industry. The role of early socialization structuring individual habitus, thence adding the knowledge regarding professional opportunities into one's life-experience (as is observed in this case), is centred around the authority figure who symbolizes the 'bread winner' for the family. Information here is made available through a process of cultururation, than functioning as a tool as part of a calculative strategy derived from and for use in a competitive exchange.

Concern for perpetuation of the authority figure's heritage through adopting his professional field as one's own was observed in the case of an investor in pharmaceutical industry¹³⁵, an interest that was shaped owing to the fact that the authority figure in this case was a doctor (a medical doctor heading a hospital in pre-1990s civil war in Kabul). The participant's decision to enter medical college was motivated by his interest to follow his father's footsteps, a decision that later led to his engagement in the pharmaceutical industry, first by opening a retail business as a pharmacist (a profession that's closely associated with providing medical service in Afghan society, substituting a general physician and sometimes

¹³⁴ MTM-P
¹³⁵ AMPM-P

referred to as “doctor” (*daktar*) and later as an investor. Other participants having invested in producing cement poles¹³⁶, PVC pipes¹³⁷, plastic shoes and sandals¹³⁸ – in this case the original factory was established by the grandfather, and the investor’s elder brother, uncles and first cousins are too producing in the same industry – two detergent companies¹³⁹; and two iron and rod production companies¹⁴⁰, their decisions have been shaped based on this AIE – by directly pursuing the authority figure’s profession, specializing in his industry by continuing the same production unit, or, in rare cases, establishing one’s own separate company. In an outlier case¹⁴¹, the authority figure role was played by the mother because of the father’s death during the civil war. The investor grew up accustomed to the subsistence strategy the mother came up with to make ends meet (producing handicraft for sale). For the investor, this practical knowledge formed the basis for investing in a handicraft business which she currently owns and manages.

The interest for perpetuating the family professional heritage is observed in other cases¹⁴² to whom belonging to a “business family” (*famill’e tujarat-pesha*) provides a taken-for-granted reality, setting the orientation of their decision to enter manufacturing (as one form of business). However, the choice of sector and industry in such cases may not necessarily follow from the fact of them belonging to a business family considering that *taajer* and *tujarat* are used for most for-profit activities in Afghan society (they could have invested in any other sector or industry to maintain their professional heritage). The cultural capital of belonging to a ‘business family’ nonetheless plays both as an inducement for the investment *per se* in such cases, as well as becoming its outcome by providing it with the material basis for its continuation. Considering the few job categories in Afghan society as it remains economically undifferentiated, *tujarat-pesha* or *taajer* constitutes a designation for tradesmen¹⁴³ of well-perceived social position that is

¹³⁶ AM-P27

¹³⁷ BAKM-P

¹³⁸ BM-P

¹³⁹ JM-P; MSSM-P

¹⁴⁰ MEWM-P; ZMM-P

¹⁴¹ FBF-P

¹⁴² BAKM-P; HSM-P; HSSM-P; JM-P; MEWM-P; PKZM-P

¹⁴³ Given that private sector in Afghanistan has mainly remained confined to trade (import and export business), the distinction between tradesman and industrialist has not taken hold in society as a signifier of status and both are referred to as *tujarat-pesha*. Terms referring to industry, such as *towleedgar* or *san’at-kaar*, are gradually becoming common but they don’t represent a social class as commonly as *taajer* (businessman) does.

distinguished from job categories that are financially austere and physically exacting, such as farming (*dehqaani*), houseworker (*nokari* or *mazdoori*, words also used pejoratively), wage labourer (*shaagerdi* or *kargari*), lower middle-class salaried employees in public sector (*mamor'e dowlat*) and so forth. Hence, the investment decision in secondary sector originates in a life-experience based on which the social position of belonging to a business family pre-exists the participant her/himself. This is what I mean by habitus structuring the 'horizon of expectation' for an individual so far as the *possible* professional options are concerned.

The role of authority figure in other cases is played by the person at a level in the family immediately below the father; i.e., the elder brother (so far as 'outside' domain of work is concerned, which mostly excludes women). Obeisance in such cases is more often as the AIE for the investment decision. As with father, the reverence and respect for elder brother (as someone who gradually replaces the authority figure if all the legitimate criteria are embodied by him) is also learned in the family environment. In one case, obeisance is observed in how the elder brother has re-directed the professional trajectory of the individual (the research participant) who wanted to become a doctor and went to college for it but had to join his elder brother's venture in a PVC company¹⁴⁴ – not only him but two other brothers as well – a company in which the investor is now the main leader. In such cases, the persuasive role of the elder brother on the one hand and the forbiddance or negative perception of 'protest' or 'refusal' of an authority figure's request on the other, has led to fundamental changes, potentially affecting the life-long trajectory of the individual's professional occupation within which the investment decision can also be explained. The same applies to a cement pole factory owner¹⁴⁵, whose experience of working with his elder brother's cement factory in Northern Afghanistan convinced him "a hundred percent" that he should change his career plans (he was a student of architecture) and invest in his own manufacturing unit upon returning to Kabul after two years. The structuring effects of habitus is seen to have played itself out by re-shaping the livelihood strategy of the investor, his pursuit of 'self-interest', by being physically involved with his brother's production unit for over two years and seeing first-hand how *he* has

¹⁴⁴ DMYM-P

¹⁴⁵ MM-P

“made his life”. The same structuring effect was observed in setting up a plastic bag production company¹⁴⁶; the owner describing this by stating that he “emulated” and learned from his elder brother when he contemplated making the investment.

Investment for opening another PVC pipes factory¹⁴⁷ has followed a similar trajectory. The elder brother’s ownership stakes in a PVC company in Pakistan has provided the participant with the original inducement to also enter this sector. Moreover, obeisance is observed as a structuring factor in how the educational opportunities are decided by the authority figure during early childhood. A common pattern is seen among returnees from Iran¹⁴⁸ among the cases, who, although unrelated, have all (except one) studied in vocational schools in Iran, usually having to decide the field of their specialization at age 9 or earlier. They have all studied mechanical electronics as technical manual labour, having worked for a while in manufacturing units in Iran after graduation, all of them in apprenticeships, before deciding to move to Kabul to set up their own manufacturing units. All of them specialize in producing panel boards. These cases highlight previous life experience that are moulded by common familial patterns: all of them being Hazaras (likely also Shi’a) hence, choice of Iran for immigration compared to Pakistan (a Sunni majority country). The participants entry into the industry of their choice has been, therefore, an integral part of them becoming who they are as a person and not simply the result of a calculated investment choice. This ‘becoming’ is summarised in the statement by Bourdieu that “the social world is accumulated history” (Bourdieu, 1986), and members of this “social world” are the empirically perceptible domains where this accumulation takes place.

This ‘becoming’ process based on embodied internalization of the practical knowledge of a profession is observed in the case of a dairy farmer¹⁴⁹, whose mode of symbolic legitimation consisted of still regarding himself as a ‘farmer’, “I myself am a farmer”. The dairy union – one of the largest in Kabul – was built based on the domestic knowledge of this trade, which was later modernised by procuring machines (aided by an international humanitarian agency). In a similar

¹⁴⁶ NSM-P

¹⁴⁷ HSMM-P

¹⁴⁸ AAM-P; BAM-P; BHM-P; MAAM-P; NM-P

¹⁴⁹ GZAM-U

vein, the transition into producer (honey processing)¹⁵⁰ followed from the participant's pre-investment occupation in beekeeping. The investor now presides over 34 honey processing associations.

Viewing professional or higher education as a steppingstone toward achieving a livelihood goal at least partly originates in a cultural hierarchy of professional roles and their future financial prospects. In one case¹⁵¹, joining the engineering college in Kabul University is seen to have been shaped by the social popularity of the course, a choice that has later also conditioned his investment option. Early decisions mediated through the family hierarchy regarding vocational learning¹⁵² or apprenticeship¹⁵³ is witnessed as structuring reasons that have later provided the informational basis for the investment, the choice of sector and the industry – given that these prior exposures entailed a formidable 'specialization' outcome which were later relied on to orient the investment. In two outlier cases¹⁵⁴, vocational education has served a more immediate purpose, and the ensuing decision to invest in secondary sector has been largely accidental.

In these instances, habitus as a 'horizon of expectation', shaped in the top-down patriarchal family hierarchy is laden with obeisance, emulation and perpetuation as AIEs. The decision to invest can be explained through the application of these micro-analytic devices. Social institutions embedded in the family structure and transferred to individual habitus are the main determinants of the investment decision in these cases.

6.1.2. "Trust" and the Three N Mechanism

"Trust" and the three N mechanism are the other set of AIEs regarding which initial learning process begins in the family. The social norm "trust"; that is, a form of non-inquisitive attitude toward those we know, including the information passed by them that is underpinned by this norm only (given there are no other formal or informal institutions buttressing it), and as embodied in the relationship between the investor and another individual (relative, friend or acquaintance) has mainly

¹⁵⁰ SNM-P

¹⁵¹ NUHM-P

¹⁵² NGF-P

¹⁵³ QYM-P; ZKF-P, MAM-P

¹⁵⁴ MMF-P; RHF-P

worked as a conduit of the practical knowledge for the investment. This conduit functions on the basis of being non-pecuniary, non-committal and non-reciprocal, in the sense that the receiver is not assumed to pay for the information (neither the giver gives it to expect an immediate compensation), the receiver is not obligated to abide by the information (although outright rejection in the face of the giver might be observed as impudence) and the receiver is not obligated to reciprocate this free passage of information. This is where the logic of social capital most aptly applies, as a form of capital that is latent in group membership but can be activated to serve an 'economic' purpose.

How this is seen in practice is that the investor has been convinced, through a relationship of trust and through the three N mechanism, to put money in an investment in an industry because a relative, a friend, or acquaintance has previously done the same – the latter often passing on the information. This AIE in regard to information sharing has therewith determined the investment decision in secondary sector in such cases, including the choice of industry. In some cases,¹⁵⁵ investment decision is seen to have been shaped by the practical knowledge of the profession transmitted through “friends” (*dost'haa* – a term connoting friend as in English but also an acquaintance or someone with whom one has a working relationship). The information transmission has been accompanied by an active encouragement by the information-provider to invest in an industry. This form of transmission of practical knowledge becomes more credible the more the information-provider is close within the kinship group, in which case the subsequent decision is taken with relative confidence. As with a plasticware company¹⁵⁶, information regarding the industry was passed on to him by his brother in-law who himself produced in the same industry.

The habitus inculcated with “trust” allows for this transmission of practical knowledge to be seen as a normal event, perhaps even a moral obligation should the information prove to be of serious necessity to the receiver. For instance, two detergent companies¹⁵⁷ were established based on inducements from relatives living in Iran who had prior knowledge of this industry. In these cases, the location

¹⁵⁵ ABNM-P; HM-U; HSSM-P

¹⁵⁶ HRKM-P

¹⁵⁷ NAAM-P; SNMM-P

of the subsequent investment (Kabul) did not match the geography of the original information (Iran). Yet, the underlying AIEs are seen as the structuring influences shaping the investment decision.

Practical knowledge transmission in some instances is done by a friend or acquaintance who wanted the research participant to become a partner (the information-provider in some cases having left the unit at the time of the interview). Agreement to join a partnership in such cases have happened based on interpersonal recognition. Investments with high initial physical capital, such as two units specializing in iron and rod¹⁵⁸ and an electrical wire company¹⁵⁹, have been set up in this way. The latter's reasoning for doing so (who seemed to now strongly regret his decision) was because his friend had never shown him the "wrong way" in the past. He saw of no reason why he shouldn't follow his friend's advice regarding this decision.

In one case¹⁶⁰ that demonstrates how the above AIEs functions in the context, the research participant was asked to become a partner in a professional domain completely unknown to him – printing press – by a friend of his. The friend needed money to buy his then partner's share in the company with whom he had had a falling out, in a bid to remove him entirely from the company. He did not have the money though. The research participant, back then working as a retailer, agreed to provide the money and, in effect, became a shareholder in the process. Later, the friend had a falling out with the participant as well, leaving the company to him by asking him to purchase his share. Such an 'unplanned' and 'uncalculated' decision quite significant to the livelihood strategy of the participant, has been regulated by the AIEs 'trust' and the three N mechanism.

In other incidents, the process of joining an investment venture or deciding to establish a production unit with high physical capital are shaped by the above AIEs as institutionalized practices of individuals' habitus. Not only this attitude is shown toward relatives, friends and acquaintances who are Afghan hence easier to access should they renege or mislead, but in one instance¹⁶¹, a high-value

¹⁵⁸ AGHM-P; NNM-P

¹⁵⁹ JKM-P

¹⁶⁰ MZM-P

¹⁶¹ MWQM-P

investment was made based on inter-personal recognition between the participant and his Turkish trade partners – who wanted to open a detergent company in Kabul but “only” if the participant made the shift from textile import to join them as a partner. What is further illustrative of the peculiarity of *interest* in this instance is that the participant pays a substantial amount as advance payment to his partners (after giving in to their persuasion) so they could purchase machinery from Turkey, without any means of recourse should the partners renege and disappear when they return to Turkey. In this case, the ethos of “Muslim” honesty and a resignation to “God’s will” were repeatedly made explicit¹⁶².

6.1.3. Responsibility Toward Homeland and Communitarian Norm

Among the participants, three-fifth (60.8 percent)¹⁶³ have referred to a sense of dedication to Afghanistan and its people as reasons why they were interested to invest in secondary sector. As mentioned, this and factor ‘6.1.1.’ combined are seen to have structured the initial inducement for investment decision in an overwhelming majority of the cases. It should be pointed out that in six¹⁶⁴ cases (11.8 percent) from the aggregate number of cases researched in whom only ‘6.1.3’ is discernible as an explicit structuring factor, it is more likely that the information in these cases too have been accessed through ‘6.1.1.’ and ‘6.1.2.’ – as mentioned in the introduction to this chapter, ‘responsibility to homeland and the communitarian’ norm is a generic subjective/aspirational motive that does not reveal *why* the decision in manufacturing specifically has been taken or why a particular industry has been chosen, for which I suggest social relations to be the conduit for the practical knowledge.

This is a subjective/aspirational AIE that is seen to have had a regulating effect based on a relatively cohesive ‘national’ image that, despite group-based

¹⁶² The participant is now entirely preoccupied with the detergent company after abandoning his textile import. The Turkish partners abandoned the company in the first two years – the company was in its tenth year at the time of the interview – because they hadn’t anticipated the difficulties of Afghanistan’s investment environment. All the technology and knowhow, including a chemist, were brought from Turkey initially to assist in opening production. The participant, from being a bystander in the beginning so far as the set-up of the unit went, and had only contributed financially toward the venture, is now the only owner and has also learned, using a laboratory, the right mix for producing more than ten different sanitary products (his initial aim was to increase the number to 42 products which had to be later abandoned).

¹⁶³ GZAM-U; HSM-P; SNMM-P; AGHM-P; BAKM-P; HSMM-P; DMYM-P; HKGM-P; MSM-P; MZM-P23; NANM-P; ZKF-P; ZMM-P; HM-U; AAM-P; ABNM-P; AM-P18; AM-P27; HMKM-P; HSSM-P; MAAM-P; MEWM-P; MMF-P; NM-P; NSM-P; PKZM-P; ARHM-P; FBF-P; NMF-P; BHM-P; JKM-P

¹⁶⁴ HKGM-P; MSM-P; MZM-P23; HMKM-P; ARHM-P; NMF

differences and strong disagreements regarding the symbolism of representing this national image¹⁶⁵, is witnessed to have an appeal for the study participants as a 'home'. This, underlined by the ethical injunctions in the Quran regarding being good to others (altruism), as well as a feeling of responsibility toward the "homeland" (*watan*) and its reconstruction are the combined set of subjective/aspirational AIEs that are recurrent as themes in participant narratives regarding why they have invested in manufacturing. These AIEs accrue symbolic capital from a material pursuit by tying it to a higher cause.

Among the investors in Kabul, the above AIEs are observed in expressions of duty toward *Watan* or *Keshwar* (homeland), *mardom* (people) and the country's economy. This is regardless of the gender, age, and ethnic affiliation of the research participants or which province in the country they came from. This, at least at the subjective level, indicates the presence of a sense of solidarity and communitarian ethos that is witnessed as a function of individual habitus. This patriotic feeling is supported by visible aspects of the 'economic' activity. Meaning, *towleed* (production) leads to a tangible geographic commitment and a tangible outcome (a product with "made in Afghanistan" labelled on it), compared to trade and services which are devoid of this tangible form of symbolism. The word *saakhtan* in Persian is used for 'to produce', which is also used in the context of "construction" and "reconstruction" (*baas-saazi*). This being the case, the activity of *saakhtan* as an economic activity is associated with *saakhtan* as reconstruction in a country requiring both, but perhaps the latter foremost and more urgently. Investors in manufacturing, therefore, were seen to usually confer a higher esteem to their profession compared to other economic activities perhaps owing to this linguistic association. And *mo'aled*, *san'at-gar* or *tawlidgar* (words for producer) sit high among 'worthy' professions as witnessed in how the participants perceived this profession's role.

However, the relative commonality of the above AIEs among investors does not necessarily translate into direct strategies of assisting the reconstruction process or committing the investor to a cash transfer scheme to the poor or another social

¹⁶⁵ To illustrate this point, electronic identity cards with "Afghan" written on them became a matter for widespread contention as the word is not seen as adequately representative of all the inhabitants of Afghanistan (NYT 2014).

program – only two investors mentioned an ongoing scheme, one¹⁶⁶ who is funding a school in a neighbouring province to Kabul, and the other who crowd-funds annually to help the needy¹⁶⁷. Others provide some financial assistance¹⁶⁸, in cash or in kind, very occasionally or pay “Islamic tax” (*zakaat*). Among the remaining, it appears as though the service to the country and its people occurs *ipso facto*; i.e., producing appears as *the* service as such. The participants’ act of establishing a link between production and social and patriotic duty, given its immateriality, can be explained as a product of the habitus’ strategy for accumulating the disguised symbolic form of capital. These AIEs help reinforce *ex post* legitimation and a symbolic appraisal of the investment as more than merely the pursuance of money – the latter a behaviour culturally seen as measly in Afghan society, more so if it is made explicit in an environment where signs of poverty are rampant and ‘modesty’ is gradually inculcated in individual habitus through social norms – a feature that we saw is reinforced by the Quran, “...God does not love the arrogant show-off” (verse 36, Al-Nisa), where humility and utmost reverence of the ‘supreme entity’ (i.e., Allah) demands precaution in asserting one’s own independent individuality or signs of it in ‘worldly’ pursuits.

This is evidenced in the fact that research participants did not refer to the income and monetary aspect of the investment directly as the reason for their investment, always referring to it in tangential terms and, if such an interest was mentioned, it was never done outright as the first reason for the investment – except for only one case¹⁶⁹ in which too the reference was made in third person, saying “we entered production sector in Kabul because it is obvious that *everyone* [emphasis mine] wants to improve their financial well-being.” In participant accounts, the money aspect, if mentioned, would always proceed after a symbolic prelude emphasizing the patriotic and social aspect of the activity. The non-monetary symbolic capital is hence partly also an outcome (same as ‘economic’ profit) of the investment in addition to being an initial inducement (which cannot be proven or disproven retroactively).

¹⁶⁶ NUHM-P

¹⁶⁷ NANM-P

¹⁶⁸ BAM-P; ARHM-P; DAAM-P; HMKM-P; HSMM-P; HSMM-P; JM-P; MEWM-P; MMF-P; NM-P; NNM-P; ZMM-P

¹⁶⁹ FM-P

The institutionalized notion of responsibility toward the homeland and the community as a structuring outcome of the individual's habitus is expressed in some cases by presenting one's investment as a "defence" of Afghanistan's economy in the face of foreign competition¹⁷⁰, employment generator for the country's youth¹⁷¹, or even a service to God by serving his creatures¹⁷². Closely approaching the above is the assertion that manufacturing plays a role that is important for securing Afghanistan's self-sufficiency and economic growth¹⁷³. Love for homeland¹⁷⁴ and, given the context of the research, seeing a solution in manufacturing for mitigating causes of political violence and its other social malice has also been pointed out as reasons for the investment¹⁷⁵. Particularly among women investors¹⁷⁶, providing financial assistance to other women through employment generation is a recurring theme. Manufacturing has been referred to with words such as service to country and society¹⁷⁷; a duty toward the homeland¹⁷⁸; a struggle (*mobareza*)¹⁷⁹; a transformational duty for the country¹⁸⁰ and a form of holy war (*Jihad*)¹⁸¹.

Among sub-themes under these AIEs, living abroad (particularly in neighbouring Iran and Pakistan) is seen to effect a strong association between the productive activity and the purpose to serve the homeland. Among the sub-group mentioning patriotic and communitarian attitude, more than half (56 percent) have had migration experience. The AIEs in here is clearly noticeable in how the life abroad during the period of migration is described by terms that indicate impermanence and merely an interlude before returning "home" where one belongs – where the investment too seems 'sensible'¹⁸².

¹⁷⁰ ABNM-P; ARHM-P; GZAM-U; HSM-P; SNMM-P

¹⁷¹ AGHM-P; AM-P; ARHM-P; BAKM-P; HSMM-P; DMYM-P; GZAM-U; HKGM-P; MSM-P; MZM-P23; NANM-P; ZKF-P; ZMM-P

¹⁷² HM-U

¹⁷³ AAM-P; ABNM-P; AGHM-P; AM-P27; AM-P12; ARHM-P; DMYM-P; GZAM-U; HKGM-P; HMKM-P; HSM-P; HSSM-P; MAAM-P; MEWM-P; MMF-P; NM-P; NSM-P; PKZM-P; SNMM-P

¹⁷⁴ ARHM-P; HMKM-P; MZM-P23; NANM-P; ZMM-P

¹⁷⁵ BAKM-P; MSM-P

¹⁷⁶ FBF-P; MMF-P; NMF-P

¹⁷⁷ AAM-P; FBF-P; HKGM-P; PKZM-P

¹⁷⁸ NM-P

¹⁷⁹ MEWM-P

¹⁸⁰ SNMM-P

¹⁸¹ AGHM-P

¹⁸² AAM-P; BHM-P; DMYM-P; HMKM-P; JKM-P; MAAM-P; NANM-P; AM-P27; NM-P

At the level of the social institutions shaping the habitus of investors, expressions of social and patriotic duty illuminate an important aspect of the *interestedness* of investors and how the tendency for self-seeking interest is configured in Kabul by non-material aspirations. Majority of the investors in my study did not seem to perceive the satisfaction of their engagement with the corporeal domain of production independent of the gratifying symbolic element of serving the “country” and the “community”. This, among others, indicates a consciously communitarian ethos and a feeling of responsibility as ordering AIEs of the habitus in the social context¹⁸³.

The decision to invest in production is influenced by a normative calculation that exalts this activity as a form of conviction; than investors being influenced by market signals only to seek maximization of profit. The frequency of the above AIEs as part of the initial investment motive (which is not amenable for direct empirical testing retroactively), indicates the importance of the symbolic element in how investors *presently* (at the time of the interview) view their investment. The social and patriotic outlook as structuring conditions claimed to have induced the investment decision indicates that the legitimation of this activity is not consciously informed, or corresponds to, price signals in the market – it is buttressed, at least partially, by its own symbolic logic.

More intimately rooted in the personal history of the investor, the decision to enter manufacturing is also justified as a product of ‘personal drive’ in some cases. Manufacturing is associated with *making* and *creating* as an aspirational interest, a self-sufficient drive toward a particular industry compelling the investor to make an entry into it. The institutional basis of such behaviour can be the family environment, but I suggest that the origins lie deeper than the regulating effects of AIEs in such cases. The subjective meaning of manufacturing beyond its immediate profit-seeking aspect is expressed as simply “love”¹⁸⁴ (*eshq*¹⁸⁵), “passion”¹⁸⁶ (*showq*¹⁸⁷) or “interest”¹⁸⁸ (*alaja*) for the field regardless of the

¹⁸³ Apart from the unintentional workings through the ‘invisible hand’ of the market, the habitus of investors produce an intentionally socially aware disposition in them.

¹⁸⁴ AAM-P; AGHM-P; NM-P; ZMM-P

¹⁸⁵ A word in colloquial Kabul Persian also used for romantic love.

¹⁸⁶ AAM-P; BAM-P; BAKM-P

¹⁸⁷ *Showq* and *showqi* in colloquial language, denote acts based on passion mostly without regard to its consequence.

¹⁸⁸ BHM-P; GZAM-U; MAM-P; MEWM-P; MSM-P; MTM-P; NGF-P; NUHM-P

prospects of its success. As stated by MAM-P, “I wasn’t too interested in the money aspect of [producing panel boards]. I was simply passionate about it and liked it very much.”

The ‘innovative’ and ‘creative’ aspects of manufacturing – as against trade, where these qualities are largely redundant; and services, where creativity and innovativeness are mostly non-corporeal and cannot be tangibly represented – comes into play in how some investors have explained their investment decision as creative, innovative and engaging¹⁸⁹. All these are symbolic strategies that help the investor to evaluate the investment decision as more than what it is in objective form. The view that manufacturing as a tangible investment will outlive the investor and will be left behind for posterity, also showcases the appeal for symbolic self-perpetuation (as pointed out by Becker, 1963)¹⁹⁰.

6.1.4. Market Information, State and NGO Support

In the number of cases where market information through first-hand prior encounter with retail or trade is witnessed as the regulating mechanism for investing in production is rare as a share of the aggregate – five investments¹⁹¹ comprising ten percent of the cases. In these cases, a discernible AIE other than the information that could only be defined as ‘market information’ (in the widest sense of that term) was not witnessed.

Market information can be observed as the structuring effect for inducing the investment; albeit partially, in cases where this information has been used but regarding a neighbouring country’s market (mainly Pakistan or Iran) where the research participant worked previously or imported¹⁹² the goods that later the investor began producing domestically by observing domestic consumption habits. Among the units, in one unit alone¹⁹³ the investment decision (both in the choice of sector and industry) was informed by a “calculative approach” (*a la* Williamson). Previous to their investment in secondary sector, the two

¹⁸⁹ AGHM-P; HKGM-P; MAM-P

¹⁹⁰ AGHM-P; AMPM-P

¹⁹¹ AM-P; NANM-P; HSM-P; SNM-P; ZMM-P

¹⁹² NAAM-P; PKZM-P; ZMM-P; HSM-P

¹⁹³ FM-P

participants¹⁹⁴ were engaged in the market (they had retail stores) and among the things they sold was the product they began to produce. At the time the investment was made there were two other companies that were producing the same item according to the participants (the number had increased to four at the time of the interview). According to one of the participants, their objective was to “outcompete” the other companies and take over the market as a monopoly – this admission was a rare case showing an investor displaying a clear profit-seeking motive without attempting to legitimize it through a symbolic disguise. The investor also chose the industry with the knowledge that the nature of the product does not require frequent changes in the packaging and style. As such, it is immune from going out of mode and seasonal price discounts to rush sales and clear the inventory of already produced goods for new replacements.

Some level of ‘market trends’ was discernible in other cases. In these cases, the choice of profession as “investor” (*sarmaya’gozaar*) has been set by the AIEs discussed above but the choice of industry shows information gathering from the market; the investment was made because there were no other producers of the same item¹⁹⁵ or the product was deemed “a necessity in the market”¹⁹⁶. In one case, market information had a reverse effect. The investor¹⁹⁷ who was in the planning stage of opening a manufacturing business in Kabul, changed his investment plan after visiting China and India for purchasing machinery and finding those countries’ markets more conducive (he referred to better security, law enforcement and a sense of stability, as well as other facilities such as access to sea in case he chose to export). This led to him focusing on investing in India but opening a smaller branch of the production process in Kabul. Tellingly, in this case, the verbal affirmation and strong avowal to “homeland” and its people was also recurrent, indicating that such a subjective claim remains in a purely symbolic form without much in the way of tangible action (he was *actively* in the planning process of leaving the “homeland” by moving capital abroad).

To conclude, as mentioned above, the income and monetary aspect of the investment was mostly referred to in tangential terms by investors due to the

¹⁹⁴ This is the outlier unit for which two investors were interviewed (see chapter 5 section 5.5 for detail).

¹⁹⁵ HSM-P; NUHM-P

¹⁹⁶ NNM-P

¹⁹⁷ HSM-P

impropriety of making it explicit outright. This also made it difficult to what extent this aspect had a more prominent role in structuring the investor's decision, which would point to the complexity of individual habitus as structured in the context. However, AIEs discussed above are couched in objective life-histories of the investors which substantiates the argument that investment has happened as an outgrowth of such life-histories that have structured their habitus, thence structuring their professional expectation or what they perceive as *possible* and attainable. The epistemology that approaches human economic practice as guided by *ex-ante* "calculative approach", therefore, is not an adequate explanatory framework in Kabul's context.

The formal institutional context as a structuring field, particularly the political changes in late 2001, summarised by investors in the trope "Karzai's first days"¹⁹⁸, is seen to have added 'optimism' in rare cases¹⁹⁹, also leading to investments in manufacturing but in the form of a non-intrusive macro-level backdrop and not as a directly structuring effect for the decision to invest in manufacturing or the choice of industry (such a backdrop could, and has, led to a diverse number of 'economic' activities inside and outside manufacturing and its effects should be understood as non-discriminatory). In one case only²⁰⁰, information from a government agency regarding a planned power project for importing hydroelectricity from Central Asia was significant for shaping the investment decision, leading to the investor partially shifting assets from his import business to establish arguably the first iron and rod company in the post-2001 period. As for the impact of 'foreign aid' as a structuring effect, its role is observed in only two investments²⁰¹ whose owners benefited from vocational training that later formed the basis of their decision to enter manufacturing sector.

6.3. Access to Credit

Extrapolating from the above discussion, but also reviewing other sets of data regarding access to credit in this section, the explanation in here directs attention to QPS *horizontal mobility of capital* related to the manufacturing sector's ability to

¹⁹⁸ Hamid Karzai was the president of the Afghanistan Interim Administration, and reference to "Karzai's first days" by interviewees alludes to the start of the post-2001 period.

¹⁹⁹ AM-P; BHM-P; HMKM-P; JKM-P; MAAM-P; NGF-P; HSM-P; HSSM-P

²⁰⁰ PKZM-P

²⁰¹ MMF-P; MAM-P

attract external sources of capital – from banks, investment institutions or private individuals. The credit ‘intermediation function’ of the banking system to private sector in general was reported at only 12.8 percent of bank assets in 2018 by the World Bank (World Bank, 2019). It was witnessed among the cases that the origin of both the investment capital and subsequent credit remains predominantly from personal wealth²⁰². The category other than personal wealth is social relations that is partly the source of the initial capital, which is seen mostly in partnerships²⁰³. Following the above, family inheritance is the origin of initial capital²⁰⁴. The rarity of the habit of credit or the non-emergence of an inter-sectoral loan system among investors in secondary sector to channel surplus capital to needed areas can be attributed to the forbiddance of the practice of interest-based credit in Islamic Law (*Sharia*). In Kabul, based on observing the tendency of research participants regarding interest-based credit, it can be said that compliance to *Sharia*, apart from explicitly laying out the codes of conduct to set the *de jure* limits of practice, has played an ‘effacing’ role. In the sense that, interest-based credit as a practical option was mostly not mentioned by participants when asked about sources of capital. This can be attributed to a disregard, if not ignorance, of the practice of interest-based loans that has rendered them uncommon and outside the permissible range of *possibilities* to consider. Among the participants in the study where the topic of “interest on loan” (*sood*) has been referred to, it was acknowledged that the loan taken was either without interest²⁰⁵ or such loans are simply not sought because interest-based loans are unlawful in Islam²⁰⁶. However, this does not explain why other forms of *Sharia*-compliant credit are also rare in the context. The *Mudarebah* system, for instance, is permitted in Islam based on which the creditor and debtor share in the profits and losses of the business – only one participant has taken such a loan²⁰⁷.

Another reason for rarity of credit within secondary sector, among investors in the form of an inter-sectoral credit system, might have to do with the fact that profits

²⁰² BHM-PARHM-P; BAM-P; FBF-P; GZAM-U; HM-U; HRKM-P; HSMM-P; HSM-P; HSSM-P; JM-P; MAAM-P; MMF-P; MM-P; MSM-P; MTM-P; MZM-P²³; NAAM-P; NGF-P; NMF-P; NM-P; NNM-P; NSM-P; NUHM-P; SNMM-P; SNM-P ; ZKF-P

²⁰³ AAM-P; AGHM-P; AM-P²⁷; AMPM-230718; FM-P; HKGM-P; HMKM-P; JKM-P; MAM-P; MSSM-P; MWQM-P; MZM-P¹⁵; NANM-P; QYM-P; RHF-P; ZMM-P

²⁰⁴ ABM-P; ABNM-P; AM-P¹⁸; BAKM-P; BM-P; DAAM-P; DMYM-P; MEWM-P; PKZM-P

²⁰⁵ NAAM-P

²⁰⁶ HM-U; QYM-P; SNMM-P

²⁰⁷ BM-P

out of daily sales are either re-invested or are not “realized” (earned in the fungible monetary form) large enough to merit issuing loans to other investors. As will be discussed in chapter 7, section 7.1.2, the practice of sales on *ograyi* (a form of deferred payment in which payments for current sales of goods is deferred to an unknown future and is dependent on the buyer’s sales in the retail market) incoming earnings are continuously re-used to continue the unit’s output level to maintain market share. This renders credit impractical, in addition to the ever-present structuring effects of habitus. When in need of credit, some investors have sold their personal or family property²⁰⁸, have asked friends or relatives to provide credit²⁰⁹, or secured raw material on credit²¹⁰. The AIE ‘top-down family hierarchy’ can explain the transfer of wealth or the authority to sell it in pursuit of a *family* venture. One outcome this implicit AIE brings is the reasonable assumption of the collective nature of ownership inside the family under the leadership of the authority figure – who, in turn, makes sure this form of ownership is protected until the division of his inheritance after death dismantles it in practice. As such, the same collective ownership in the family can present itself as a source of credit when a unit is in dire shortage of it. Related to friends, the AIE ‘three N mechanism’ explains habitus’ institutionalized tendency to *expect* (if not always achieve) assistance from friends, relatives, and acquaintances when in need.

Moreover, traditional interest-based loan issuance systems, such as banks, are said to rely on exorbitant collateral (the property or asset given to a bank to secure a loan) due to concerns arising out of credit repayment (i.e., ‘debt security’). Attempts to take out interest-based loans or being beneficiary of such a loan has been witnessed in six cases²¹¹ (approx. 12 percent of the aggregate). Among these, half refused to take the loan because the interest rate was set too high²¹². Others²¹³ did not discuss whether they considered the interest rate too high and have availed themselves of them. Other external sources of capital or lines of credit were not cited by the participants that could be relied on to compensate for the unwillingness of private banks to provide needed capital, neither is the Central

²⁰⁸ AAM-P; BAKM-P; DMYM-P; MTM-P2808118; RHF-P; FBF-P

²⁰⁹ AM-P27; MAM-P; NAAM-P; NUHM-P

²¹⁰ MAM-P; NAAM-P

²¹¹ HSSM-P; AMPM-P; BHM-P; JKM-P; MMF-P; MZM-P23; NM-P

²¹² HSSM-P, AMPM-P; JKM-P; NM-P

²¹³ BHM-P; MMF-P; MZM-P23

Bank mandated by law to direct commercial bank loan issuance policy based on EEA (see chapter 4).

6.4. Conclusion

The pattern in the data suggests that the practical knowledge of manufacturing is socially-contingent and forms part of the life-history of the investor and is undistinguishable from their lived experience. The initial inducement to enter the sector is regulated by the effects of implicit institutions that are learned and internalized in the top-down family environment. Barring the ten percent of the cases where some level of market analysis is observed as the regulating effect of habitus in this field, in the remaining overwhelming majority (91 percent) the investment decision is structured by AIEs as transmitted through the patriarchal family structure, shaped by the lived experience of investors. The micro-analytic tools (i.e., AIEs) explaining the *institutionalized* practices of habitus for explaining patterns in the data for this chapter were: a) obeisance, b) emulation, c) perpetuation, d) “trust”, e) the three N mechanism, and f) responsibility toward “homeland” and communitarian norm. In little less than half of the cases investigated, obeisance, emulation and perpetuation of the authority figure, directly or indirectly, have been observed as the AIEs responsible for structuring the investment decision. These AIEs align with the top-down hierarchy of family within the environment of which the investor habitus incorporates significant formative knowledge, including the knowledge of professional chances.

In addition, social capital based on the inter-personal norms of “trust” and non-pecuniary, non-committal and non-reciprocal relationship has functioned as a conduit for the transmission of important information which has had a direct structuring effect on the investment choice. The simultaneity of reasons mentioned at different points in the interview for the initial investment decision, furthermore, reveals a decision-making process by which objective and subjective inducement factors both interplay to shape the initial decision to invest. The *interestedness* of the individual – interestedness in a sociological sense of being the multi-faceted motivational engine behind individual practice – is combined among participants of the objective interest of earning a livelihood and a subjective aspiration or interest that tends to view a link between production *as such* and such norms as

fulfilling a responsibility toward the “homeland” and the community. The latter accrues as the symbolic capital to the participant by helping to disguise what is, in purpose and appearance, the domain of the material with something that is immaterial and symbolic.

The evidence supports the thesis argument that the decision to enter manufacturing sector in the overwhelming majority of the cases is structured by the life-histories of the investors, transmitted in the form of an embodied *practical* knowledge that is regulated by AIEs. The conditioning effects of habitus is seen in both the source of the initial capital and subsequent access to credit; viz, habitus’ effects in compliance of Sharia law regarding the forbiddance of “usury” is seen, for instance, to have rendered the practice of credit from sources other than personal wealth, family and social relations as rare and uncommon among participants. This, however, does not explain why other forms of Sharia-compliant credit is also rare. In addition to other factors, such as the private sector loan policies, absence of state-directed credit system, and the predominant method of sales in the context (see chapter 7, 7.1.2. for detail), the investor habitus has had a direct bearing on the QPS *horizontal mobility of capital* related to the inflow of capital into secondary sector, including even Sharia-compliant credit which is not commonly seen among the cases. As such, manufacturing as an objective professional possibility has not become significant enough based on this metric and remains structurally insignificant in the economy; i.e., it is not a determinant for economic resource allocation beyond those whose habitus has been exposed to it through a lived experience.

Chapter 7. Data Analysis - Elements of Field

This chapter has two sections. The first explains elements of the field that constrains capital reallocation or exit after the participant has entered the field of production, in a way binding them to the activity following entry. These elements are not marginal but has to do with the fundamental nature of how this field operates in the context. The effect of the inability to exit is then assessed on QPSs *horizontal mobility of capital*, *inter-sectoral vertical expansion* and *impersonal exchange*. The second section explains the macro-level politico-economic backdrop that are attributable to the two determinants that were discussed in

chapter 1; namely, continued militant insurgency and market-oriented EEA policy. Both these two form aspects of what I will be referring to as the ‘field of production’.

The microcosm ‘field of production’ is, therefore, constructed in this chapter through an expository description of its salient elements. Apart from this objective, it is through an encounter with these elements that adaptive strategies (see chapter 8) have developed to ensure investment continuation. The chapter, therefore, lays the groundworks for answering the *how* RQ and its implication in the form of the family hierarchy’s reproduction. It brings the discussion closer to the thesis argument by linking the evidence to structural proxies of significance as a suggestive measure of the material growth of manufacturing as a sector, and the social outcome of this sector in the form of habitus’ reproduction of the hierarchy of power in a patriarchal family inside the field of production.

The present section delineates the field elements that arise out of machine use, sales, and social status preservation. As mentioned, I deal with the structuring effect of these field elements in relation to the extent they constrain economic resource *re-allocation* or *exit* – within or without secondary sector. Focusing on re-allocation or exit goes some way in explaining an essential feature of the sector in the context; which is the inability to re-allocate or exit and the “compulsion” (*majboriat*) to continue the activity in some form due to the constraining effects of field elements. Furthermore, the examination of status preservation in this chapter shows the complex interwoven nature of productive activities with non-material concerns.

It bears mentioning that the topics in this chapter partly also contribute toward the previous chapter’s argument. The explanation regarding the inducement to invest as presented in the previous chapter finds support in the fact that investors have come to realize the daily facts of production *ex post*. These facts (which I call the elements of the field) are seen to have been involved minimally in structuring their decision to invest. If some level of knowledge of these realities of the field were available to the investor before the decision was made, it might have led to a more aware planning and risk management based on expectation of what this decision entails, perhaps even a change of heart regarding the investment itself, a level of readiness that was not in evidence based on the participant responses regarding the elements of the field. Or, conversely, if the practical knowledge of this field was

transmitted to the participant and (s)he knew about the conditions in the field and despite them decided to enter the sector (but continue to grapple with these elements), the decision cannot be explained based on “calculative approach” as it assumes the ability to evaluate economic decisions based on cost and benefits and the probability of maximization of pay-offs, as North maintains (North, 2005). Both these points, absence of knowledge regarding the internal dynamics of the field as well as *presence* of this knowledge and yet opting for the decision to enter the field, supports the assertion that some other factor must have induced this decision. I argued, in the previous chapter, that the structuring effect of habitus through a lived experience, transmitting the practical knowledge of manufacturing as an *available* strategy of earning a livelihood in the environment, is this factor.

This section covers three elements of the field. From among these, the first is ‘asset specificity’, a term referring to financial and physical assets, primarily technological equipment regardless of their level of sophistication, that are applied by a unit which are specific to the industry of the unit and cannot be redeployed without a significant reduction in its exchange value (see Chang, 1996). The second element is seen in the form of deferred payment sales colloquially often referred to as *ograyi*, a practice of sales based on which monetary payments for current supplies delivered by the producer are deferred by the buyer to an unknown future and subject to the latter’s retail sales. The third is the social status of being a “producer” (*moa’led*) or “investor” (*sarmayadar*) the dispositional impacts of which I maintain has a structuring effect insofar as it shapes the self-image of the investor for which the manufacturing activity presents its objective justification; hence, re-allocation and exit apart from depriving the investor of the livelihood opportunity (until another investment is made or employment found), can affect her/his social status as a producer or investor. The latter accrues as a symbolic capital as a factor that structures the limits of action which, subsequent to entry into the production sector, helps but also limits the range of the investors’ activity, including and most importantly, their ability to re-allocate or exit should they so wish. I would emphasize that these three elements can be present in a case at once or any single one can structure the decision to re-allocate or exit.

Ability to re-allocate or exit is used as a qualitative measure for explaining that the subjectivist volunteerism accorded to the individual in rational choice economics

is fundamentally inadequate to explain investor behaviour and that the physical and symbolic structures of the field exercise important constraints on her/his decision to continue the productive activity. This section reveals a feature of the productive sector in the context that suggests the unidirectional particularity of resource allocation in manufacturing activities; a process that challenges parsimonious explanation in terms suggesting investors' spontaneous "calculative" ability to re-allocate or exit assets whenever (s)he wishes. The dichotomy of empirical habitus-laden human and ersatz human is explained in light of the corporeal experience of production in dealing with the elements of the field, but also to explain the adaptive strategies for investment continuation (discussed in chapter 8). Following the Figure-6's diachronic sequence¹, $A \rightarrow B/B' \rightarrow C$, the current section in the chapter covers B which, combined with B' (next section in this chapter), form the elements of the field.

To examine the interaction of habitus and elements of field in this section, I apply the following AIEs as institutional micro-analytic tools to explain investor behaviour: 1) "Trust"; 2) Communitarian norm; 3) Fatalism; 4) Social esteem.

7.1. Machines, Sales, Social Status

7.1.1. Asset Specificity

One characteristic element (a physical feature) of the field in most manufacturing units is the high degree of asset specificity; a feature brought about by acquiring valuable tangible assets (machinery, tools and other physical assets) that are specialized in obtaining the *interest* devised by an investor and whose efficacious utility ceases when a production unit is terminated. The main constraining effect that is experienced due to this feature is the inability to exit and the 'sunk' nature of the initial capital invested in these assets, making it less likely to retrieve some level of the initial value of the investment in case of exit; hence, compelling the perpetuation of the unit in some capacity. While the choice of industry and the initial investment does determine the degree of asset specificity, to perpetuate production at some level would require continuously reinjecting part of the unit's revenue into renewing the initial physical assets or in purchase of similar other

¹ See page 117

machinery, which in effect leads to piling on assets that are specific – asset specificity is not the result of a one-time event and is the outcome of a cumulative process.

This tangible element is supported by a subjective behavior by investors in how they approach this ‘ineluctable’ problem, a tendency that can be partially explained (in addition to machines and physical assets being specific) by a normative dispositions in investor habitus pointing to a fatalistic indeterminacy based on the belief that what lies in the immediate zone of control in present can be known and are amenable for manipulation but what lies beyond, particularly concerning the future, falls outside human power to know. The struggle to continue production partly reflects (or is justified) by this fatalistic belief regarding the future, which makes exiting from a current profession more likely to entail uncertainty than continuing in some way while battling one’s way with the concrete obstacles that such an element imposes, representing an unconditional inexorable pursuit of interest in a Bourdieusian sense of the term – a pursuit that, deposited into the investor’s habitus through family upbringing, is pre-reflective and is irreducible to a calculative cost and benefit analysis.

To return to the machines proper, the *degree* to which assets are specific can be explained with some clarity by dividing the cases into two broad categories according to their capital goods (refer to chapter 5, section 5.5 for detail regarding machine use in the units in the research). This is by no means conclusive and there is at least one overlapping case among the categories, but the categorization nonetheless is a useful guide to analyse the degree of asset specificity and explain its outcomes on the ability to re-allocate or exit.

The first category includes units that use machines that can be used for producing goods *other* than the one produced principally in which specialization was established at the time of the interview and constituted the main focus of the investor’s initial investment decision in which (s)he has also secured a market share. However, the principal raw material would have to remain the same (e.g., producing doors instead of electricity panel boards). The second consists of units using machines that are specific to one specialized produce (in which market share has been secured) and will either have to be discarded after its life-span

ends or sold for its iron and other metal value (why they cannot be sold as capital goods to incoming investors will be explained below and, in fact, is one important reason why these assets are considered specific in the context).

First Category Units

These units (numbering 18 among the cases – 35 percent of the total) have the ability to use the machinery at their disposal to produce items other than the one in which they specialize but using the same raw material. Units under this category fall under the following industries: cement pole², electricity panel boards³, gas cylinder⁴, food items produced with basic tools⁵, and handicraft⁶. The main distinguishing feature of this category is that the machines are not complex. Except for cement pole manufacturing in which some level of automation is observed, in the other industries human hand is responsible for designing, producing and packaging with no level of machine automation. In such cases, asset specificity is minimal given that the machines are multi-purpose, though this does not say whether, in case of exit, they can be re-sold easily.

Despite the machines being multi-purpose among these cases, they are also unable to entirely leave the industry as a result of dependence on the same raw material in case of producing another product, even if not a close substitute. The machinery's use can be shifted, hence, only to an extent and between producing two different products relying on the same principle raw material. To illustrate, a panel board unit cannot produce food items with the same machinery given that a food item does not use iron sheets as the principle raw (or intermediate) material. It can, however, produce iron doors and security gates. This sameness of 'raw material' presents a form of structuring element because the change cannot be too drastic – the investor might, as a result, prefer to remain in the industry in which (s)he has at least the advantage of specialization and market share.

Moreover, the investors not moving between different industries (or opting for exit) can in fact be explained by the reasoning developed in the previous chapter,

² AM-P

³ AAM-P; BAM-P; HSSM-P; MAAM-P; NM-P

⁴ HMKM-P

⁵ RHF-P; MMF-P; SNM-P; ZKF-P; ABNM-P; HM-U; MSM-P; NMF-P

⁶ FBF-P; NGF-P; MAM-P

namely the structuring effects of habitus which continues to be present even after entry to the field. The dispositional AIEs in choosing an industry continue to structure the livelihood earning effort even after significant experience with production. Despite the machinery being usable for another product, the initial product is chosen initially often based on knowledge acquired through a previous life-experience which, after the initial step of investment, determines its subsequent trajectory in a significant way.

In the case of some manufacturing activities under this category, such as panel boards and gas cylinders, not all the machineries are amenable for multi-purpose use. As per AAM-P, the “mother machines” can be used to bend iron sheets for producing other items, such as doors, instead of producing panel boards. But there are other machines in the unit that are tailored to specific purposes needed for producing panel boards only.

Second Category of Units

Majority of the units using machines that are uni-purpose by internal design that impedes purpose-specific modifications of them to shift to a new line of production, fall in this category. These units require initial investment in or subsequent purchase of semi-automatic machinery; i.e., machinery that requires a human operator to input the functions, but it produces the output through in-built internal mechanisms. These machines are mainly sourced from Afghanistan's neighbouring countries and the procurement process and transport adds to their aggregate value – which adds to the financial value that gets ‘sunk’ in each item of such machinery. It needs a longer time to set up the machinery and begin production due to it having to be imported. Afghanistan being landlocked, the machinery and raw material are carried through mainly Pakistani and Iranian territories to reach Southwestern, Western or Eastern ports of Afghanistan before setting out for Kabul.

By the same token, technical knowhow to set up this foreign purchased machinery has to be commissioned from abroad, adding another expense to the costs associated with the machinery use. Technicians might also charge a higher fee to risk coming to Kabul (Afghanistan in general – a country known as a hazardous work environment due to political violence). Unavailability of technical know-how

in the context contributes to the 'sunk' cost mainly in relation to operationalizing relatively complex machinery. As a general appraisal⁷, technical knowhow's shortage in the context is widely experienced by investors, more so due to the novelty of many of the industries in secondary sector. Perhaps the most important structuring effect of this on the sector in general is that the expected shortage of technical knowhow has dissuaded relying on high-productivity machinery, which can produce high-value added products given their higher operational sophistication but also bring about a commensurate need for technical personnel⁸, and an increasing aggregate cost associated to machinery and asset specificity.

This form of asset specificity represents a comparably greater barrier to exit should the investor so wish and should expect to re-sell her/his assets to retrieve a satisfactory value (however (s)he measures this satisfaction) of the initial cost. These industries include iron melting and rod (iron and rod hereafter)⁹, non-manual food production¹⁰, beverages¹¹, detergents¹², PVC pipes¹³, paper napkins¹⁴, pharmaceuticals¹⁵, plastic industry¹⁶, electrical wire¹⁷, sanitary systems¹⁸, female hygiene products¹⁹, and printing press²⁰. One cement pole producer²¹ with relatively high production capacity (100 items or more per day) also falls under this category, whose machinery is tailored to this produce. In comparison to AM-P (also cement pole but included in the first category) this company has a significantly higher and regular pace of production. It is seen, at least in the comparison of these two cases, that after passing a threshold of production scale the machinery and the general work set-up becomes more specific. The general pattern among the second category cases is that they lie at a relatively higher level of technological sophistication. The implication being that both entry and exit into such industries in the context is harder and costlier – the

⁷ DMYM-P; AGHM-P; MZM-P; AAM-P; AGHM-P; ARHM-P; QYM-P; ZMM-P

⁸ MZM-P; AGHM-P; ARHM-P; QYM-P; ZMM-P

⁹ AGHM-P; MEWM-P; NNM-P; PKZM-P; ZMM-P

¹⁰ GZAM-U; JM-P; MZM-P; ABM-P

¹¹ ARHM-P

¹² AM-P; MWQM-P; SNMM-P; MSSM-P; NAAM-P

¹³ BAKM-P; DMYM-P; HSMM-P

¹⁴ HKGM-P

¹⁵ AMPM-P

¹⁶ BM-P; HRKM-P; NSM-P; QYM-P; HSM-P

¹⁷ BHM-P; JKM-P

¹⁸ NUHM-P

¹⁹ FM-P

²⁰ DAAM-P; MTM-P; MZM-P¹⁵

²¹ MM-P

reason why these investors have chosen these industries despite these facts can be explained by the argument that they have done so owing to AIEs embedded in habitus as the initial inducement factors.

Majority among the units using the second category of machinery (55 percent) have explicitly described their investment in terms such as getting ‘stuck’ (*band mandan*) – in reference to how capital and their personal wealth has been held irretrievably by the investment. Entry into these industries represents a one-way road and should investors choose to re-allocate or exit they would have to offer their re-sellable assets such as machinery at a small fraction of its original price for its iron content (as scrap metal)²². The ability to retrieve the initial capital is, therefore, significantly limited in these cases and determines one main element in the field.

This physical constraint finds some reinforcement by “fatalism” – the relevant AIE to explain this theme – as a dispositional tendency, seen in expressions by investors that all their life’s worth “was spent on this factory”²³, and their wealth is “drowned”²⁴ (*gharq*), their investment is akin to “burying capital” (*gor kardan*)²⁵. It is, as such, perceived as a tenacious “compulsion” (*majboriat*), not a choice, to keep the unit alive in some capacity. For instance, AGHM-P, explaining the direct effect of larger contingent hurdles in the political economy of the context on his investment, stated that entering “production” (*towleed*) sector is a “one-way road... and requires a lot of courage.” In this instance, it would suggest that the producer knew about the industry, but the ‘leap of faith’ attitude underlying the investment can be explained by habitus’ structuring effect.

Moreover, assets become and retain their *specificity* not only due to their level of sophistication and ‘sunk’ capital, but also due to the rarity of new entrants into the same industry mostly due to the role habitus plays in transmitting the practical knowledge of manufacturing through a lived experience; hence, the ‘generative mechanism’ of social practice not being the same and manufacturing representing

²² ABM-P; AGHM-P; AM-P; ARHM-P; BAKM-P; BAM-P; BHM-P; DAAM-P; HRKM-P; HSM-P; HSSM-P; JKM-P; MEWM-P; MSSM-P; MTM-P; MZM-P; NAAM-P; NUHM-P; QYM-P; SNMM-P

²³ ABM-P; AM-P; BHM-P; HRKM-P; MZM-P²³

²⁴ BHM-P; QYM-P

²⁵ HSM-P

a 'new' addition into the *possible* professional opportunities, the number of those who are exposed to this knowledge from early childhood and decide to enter it are few. Potential new entrants devoid of this practical knowledge but exploring investment opportunities might also grow doubtful as to why the investment did not work for the exiting investor. Buyers of machines among other producers are also rare because they are often already equipped before beginning production and would require new machinery if sales levels go up (which is not the case since 2014 onward – see section 7.2.1 in this chapter for elaboration).

Moving capital to other comparatively more profitable uses; i.e., resource re-allocation within secondary sector or exit from secondary sector to another sector in the economy, is therefore not dictated by a spontaneously self-regulating 'market' mechanism through competitive price signals. Re-allocation or exit would entail significant cost and can have far-reaching risk in the form of threatening the livelihood strategy of the producer (in most cases the single strategy they have available – see section 7.1.3 for detail). This and the other field elements render the investment as a uni-directional resource allocation.

In addition to asset specificity as a technical structuring element, the organization that is oriented toward producing any good, also involves costs for the manufacturing unit which, by re-directing the unit toward the production of a new item, would on minimum require: a) new set of organizational capacities (including, potentially, purchase of new machinery), b) new skills and manpower to produce the new good, c) replication of past operations for the new product (e.g., marketing), and d) finding the right institutional business support mechanisms for the new product (e.g., access to industrial exhibitions). The shift to a new product is particularly difficult for manually produced food items and small-scale handicraft because it is costly for a unit of this level which has, through its life-span, invested financial and human resources to carve out a niche in the market for the product in which they hold specialization.

7.1.2. Ograyi and Sales on Deferred Payment (DP)

Ograyi is the colloquial term for deferred payment for current supplies of goods by the seller (in the context of manufacturing, the producer) to the buyer (retailer or wholesaler). The connotation applies more to non-durable consumer goods (HSSM-P); hence, I will use it distinct from sales based on deferred payment (DP),

the latter being the general category which not only includes ograyi but all such sales, including the ones involving durable goods. For the purposes of this research the varying uses of ograyi and DP in the text adopts the word investors themselves have chosen to refer to their sales strategy. This distinction matters also based on the modes of enforcement. While ograyi is a form of DP sale, it is mostly based on word of mouth contract as a result of a process of building recognition – the conscious awareness of it called as “trust” by some participants. Some DP sales, on the other hand, involves a formal procedure and is not entirely reliant on word of mouth.

The AIE “trust” that supports the practice and institutionalization of ograyi as an ordering mechanism for transactions involve the producer, the retailer and when the retailer does not directly purchase, the producer and the intermediary or wholesaler²⁶. This type of sales, as put by ARHM-P, is a way to secure a share in the market in Afghanistan. As put by JM-P, “if you want to do business in Afghanistan, trusting people is an inevitable precondition.” Or, according to NANM-P, even if you don’t know the person, you will have to rely on ograyi to open your way into the Kabul retail market. It was labelled by BAKM-P as a “habit that is cultural” (*kulchari*) and “domestic-national” (*watani*; which is not exactly equivalent to the word national, the latter being less emotionally charged). One outcome arising out of this culture of sales is that it impedes re-allocation and exit. Before elaborating on this point, I touch on the origin and exact definition of the term ograyi.

The word ograyi is a cultural transmission from Pakistan, according to MWQM-P. The origin of the term found further support in the fact that investor-returnees from Iran did not know the usage of the term. Reference to ograyi in general terms; i.e., referring to the wider culture of sales in Afghanistan and not only in the case of the investor being interviewed, was common²⁷, which indicates that while a practical notion of “trust” – a concept that finds its meaning in relation to this form of sales to investors – underlies this form of sales, the practical aspect of ograyi

²⁶ I will use ‘buyer’ and ‘seller’ instead of ‘producer’ and ‘retailer/wholesaler’ in this section given the topic in hand – sales.

²⁷ ABNM-P; AGHM-P; ARHM-P; BAKM-P; BM-P; DAAM-P; DMYM-P; HSMM-P; JM-P; MEWM-P; MSM-P; MWQM-P; NANM-P; NSM-P; NUHM-P; QYM-P

(as sales proper) functions as an explicit institution according to which enough conscious deliberation is formed in order for it to retain commonality.

Underlying this practice is the conditioning effects of habitus as a learned practical potentiality which is transmitted through the mechanism of family as its primary medium and, subsequently, through a later exposure to social life in the context where the notion of “trust” and contingent institutionalized capacities of dealing in the market are learned. The AIE “trust” in this instance can be attributed to the Islamic injunction regarding keeping the sanctity of one’s promise and “word”, colloquially referred to as *lafz* or *qowl*; two notions that are often adjoined with “manly” (*mardana* – as in, “word of a man” or “*qowl’e mardana*”) which shows it is appraised as a masculine attribute. And the injunction on being honest and just which, as I discussed in the conceptual framework, are refracted by the structuring effects of investor habitus; viz, it is not a direct relationship with the injunction that shapes this act but a pre-reflective and socially diffuse form of it that reaches her/him in an implicit form (refer to chapter 3 section 5 for elaboration).

The way *ograyi* is practiced is as such that the seller (company ‘A’) delivers a supply of consumer goods (“routine” products as put by HSSM-P) in advance of the payment by the buyer (‘B’), which leads to multiple such open accounts in the company balance sheet (not only with ‘B’ but many other buyers). This field element structures the ability to re-allocate or exit by company ‘A’ because doing so would entail two important outcomes: 1) the regular buyers of company ‘A’ will seek other sources of supply for the same product, leading to a loss of customers (i.e., market share) for company ‘A’. As described by BM-P and NAAM-P, production has to continue because money is spread in the market as a result of sales on *ograyi* and not doing so would result in losing market share. This outcome, however, should hold universally regarding business closure and is not context specific. The second outcome is more relevant to the topic in hand, which is that 2), the chances of retrieving the dues in open accounts are reduced substantially for company ‘A’. Below I explain why this is the case by elaborating the various properties of such sales. The second outcome is also context-specific and is a function of the commonality of DP sales in Kabul where mechanisms for debt retrieval are, meanwhile, not in place as per the participant accounts.

For ograyi sales, company 'A' when transacting with a new buyer might demand on-the-spot payment or a percentage of the exchange value – depending on how much risk (s)he can take in return for securing a market share – for the first few batches of supplies. This is until a relationship based on mutual recognition that is specific to this relationship and I have referred as “trust”, largely based on face-to-face dealings and based on an unwritten verbal agreement between the two, is formed. Subsequent deliveries of supplies, based on this system, are not instantly paid by the buyer and payments are made incrementally when the next supply delivery is made. Say, a part of the payment for July 8 supply is made when July 20 supply is delivered and so on (this is suggestive and the actual process might include strenuous persuasion by the seller to extract some past dues from the buyer, parallel exchanges of supplies and payments, differences in timing, ad hoc demands and deliveries, variations in prior agreed-upon instalments, variations in amounts paid each time, etc.).

In this way, company 'A's capital is spread in the market among a multitude of buyers depending on how (s)he can expand her/his market share, gradually retrieving enough of the past dues to continue production in some scale to ensure re-supplies to the same or newly added clients. As such, a higher percentage of what can be termed as circulating capital in this system remains in open accounts. As explained by NAAM-P, a mere delay of 10 days in production can undo many years of effort to secure market share, as clients have to move to other suppliers in order for themselves to be able to maintain their businesses. For buyers, it is when a current supply comes – which forms part of the cumulative supply of goods against which the debt is estimated (minus the amount already paid) – and are sold and the amount of profit deducted, as well as enough funds set aside for replenishing the stock of all the other items demanding immediate payment, that they can repay some of their debt to the producer²⁸.

²⁸ To venture at a mathematical formalization, the current exchange value of supplies on ograyi in the economy (OEV for Ograyi Exchange Value) can be represented as the exchange value of all current consumer goods and raw material stocks plus the exchange value of all past supplies in the economy (VCS+VPS) minus the margin or instalment paid to the producer and supplier at the point of the most recent delivery (M) for each separate item (X); hence: $OEV_x = VCS + VPS - M$. The lower the value of OEV_x , means the more the available capital, at present, for a supplier (producer or importer) to produce (or import) item X in the economy.

The process of allocating circulating capital to *ograyi* being irregular, the percentage share of it in the overall value of the company is not clear. A rough estimate is given by MWQM-P, who put the ratio of the value of *ograyi* to the value of the company's initial investment at 2 to 1. Meaning, if a company initially invests \$100k (on machinery and raw materials), it may require investing another \$200k, albeit gradually, in the form of *ograyi* to secure a market share.

Complete retrieval of amounts due by company 'A' from one or all buyers, or a large share of the market value of all present and past supplies, is not possible because buyers (mostly retailers but also some wholesalers) do not have the money with them equal to the exchange value of all the past and present supplies delivered by all the producers and suppliers. The impediment to such a repayment of all dues is in some way similar to why all depositors, in a modern economy, cannot withdraw their bank deposits at once – the bank's reserve requirements are only a fraction of the total value of the deposits which is similar to the buyer in this case who only holds a small fraction of the total value of past purchases in cash.

As such, payment by buyers remains contingent on their sales while the producer has to continue producing to deliver current and upcoming supplies. This most often happens by a continual *swapping activity*, by which the investor swaps the instalments by some clients today to produce goods for supply to another client tomorrow; whose instalments, in turn, feed the production process for delivering supplies to a subsequent buyer (or group of buyers) the day after and so on. Normally what producers²⁹ consider 're-investment' is a function of this swapping activity of instalments into disposable funds for production in an ongoing process. The producer can remove funds from the pool dedicated to this swapping activity (meaning, save money or take out an uncommonly large profit for household expenses), but this would inevitably result in decreasing the disposable fund for production which can delay upcoming supplies.

The practice of sales described above creates a relationship that makes continuous production in company 'A' dependent on instalments which are, in fact,

²⁹ SNMM-P; QYM-P; NUHM-P; NM-P; NAAM-P; MAAM-P; JKM-P; HSMM-P; HKGM-P; FBF-P; DMYM-P; BM-P; AM-P

part of the buyers' revenues for which favourable consumption level (based on people's purchasing power) is the main condition. When company 'A' exits from secondary sector, her/his clients – the buyers in this case – shift to another source of supply of the same product, who can also be an importer. Chances of non-payment to company 'A' increase because this other source (say, company 'C') can continue producing supplies to the buyer provided that the buyer now shifts the payment to this one, regularly paying some percentage of past dues to her/him. Non-payment to company 'A' (no longer active) can be done without harming the buyer while non-payment to company 'C' (the new supplier) would mean the latter not having enough funds to produce to deliver subsequent supplies to the buyer – an event that can harm the latter's business directly but can also imperil an ongoing relationship of "trust". The same normative compulsion referred to as "trust" does leave it open for company 'A' to continue pursuing to successfully close her/his open accounts after closure. But it would depend on the ability of the buyer to pay, simultaneously, to both company 'A' and 'C' while being able to also set aside money as profit (of course, this would not apply if the normative mechanism or the AIE is eschewed by the buyer and (s)he resorts to openly dishonest behaviour without regard to her/his reputation).

Moreover, a procedural side to this practice might develop that makes payment of instalments to current sellers more likely. Instalment payment must be a recurring and *regular* process, but this regularity is linked to regular supply (at which point the seller demands for the instalment). That is, regularity of instalment payment and regularity of delivery become inter-linked with time. This association between supply delivery and instalment payment can further diminish the likelihood of payment of past dues for a seller who shows up only to demand instalment payment without the delivery part.

The form of the agreement for ograyi in some cases might take a more certified character. An advance payment is deposited as a guarantee³⁰, a collateral is placed as a form of payment security³¹ or a guarantor (usually another trusted retailer or wholesaler) underwrites the tender by a new retailer or wholesaler. Subsequent deliveries are then supplied without on-the-spot payment of the total

³⁰ AMPM-P; JM-P; ABM-P; MWQM-P; NAAM-P

³¹ MSSM-P

sales value. Conversely, in one case³², instead, out of the \$5m invested in the company, one tenth has been spent to make one-off payments to all clients, provided they purchase subsequent supplies in cash. By doing so, the producer has effectively purchased a share in the market to outcompete importers who also sell on ograyi.

Formal³³ dispute resolution mechanisms are not mentioned by any participant in the study and at least one superintendent (sales manager³⁴) of one of the largest factories in its industry in Afghanistan stated that no third party is involved in the payment agreement – others³⁵ stated that they avoided filing a complaint against clients unwilling to pay for past sales. My assumption is that this has to do with the fact that the implicit AIE underlying this type of sales pre-exists the set of governmental institutions that were established in the post-2001 period and are more diffuse and appear effective in regulating behaviour in marketplace exchange. Whether lack of mention to recourse to regulatory bodies for debt retrieval means such institutions are not present or are incompatible with the structuring dispositions of habitus, viewed as ‘alien’ and ‘intrusive’, requires further investigation. But it is admissible to argue that such mechanisms – as indicators of “formal rationality” (*a la* Weber) – are not relied on so far as the cases in the research are concerned.

Relying on state coercion might also conflict with other AIEs in the context, notably the communitarian norms that purports a sense of social solidarity. Severing ties with a debtor might hold less urgency than maintaining the relationship with her/him which has taken time to build. The social capital (as an outcome of the dispositional tendencies of habitus enacted in embodied AIEs) amassed in this way makes the retrieval effort to be assessed based on balancing the potential outcomes: the amount of money in question and the accumulated social capital. Dogged pursuit of the former would, among others, indicate lack of restraint by the creditor for the debtor’s social reputation (a state police visiting a home, or a business usually viewed in Afghan society as a grievous violation of home or other

³² NUHM-P

³³ I use this term throughout the thesis to mean the institutions of the state, particularly the explicit institutions codified in laws and regulations.

³⁴ JM-P

³⁵ MZM-P23; SNM-P

private space that are sacrosanct and immune to such intrusions). It might also severe the relationship with clients as a result of putting unusual pressure, with whom the producer might still wish to maintain at least commercial (if not social) relations in case (s)he shifts to import or retail sectors, or to merely keep up the possibility of re-opening his/her production unit at some point in future.

There is also the question of whether *ograyi* that is norm-driven and not based on laws and regulations, and irregular owing to random demands by retailers and wholesalers, can be legally registered for retrieval and for tax purposes due to their sheer frequency. As such, it functions outside the state apparatus. Formal institutions would first have to establish the veracity of claims before intervening on behalf of the creditor which at present is regulated by social norms.

Given this, payment of debts by the buyer to the seller in the case of company closure is settled through personal negotiation. Practical aspects of negotiation also affect debt retrieval the *more* the number of open accounts the seller has on their hand – an outcome of too widely expanding one’s pool of clientele. Instead of dues being distributed among a manageable number of clients, a high number of open accounts would make following up with each one time-consuming and potentially requiring new costs (e.g., telephone bills and transportation). Hence, in a paradoxical effect, while *ograyi* can threaten the viability of the unit due to shortage of capital, it also has a structuring effect in the form of preventing the closure of the unit.

In here, I lay out three objective attributes of the units to better distinguish what type of commodities are often sold on *ograyi*:

1. Customized production, based on a written or verbal contract between the parties to the exchange, makes reliance on *ograyi* less common. Industries in this category include tailor-made items, such as electricity panel boards³⁶, cement poles³⁷, handicrafts³⁸, gas cylinder³⁹, and printing press⁴⁰ who produce after a promissory procedure is performed (such as paying an advance). Eleven among

³⁶ AAM-P; BAM-P; HSSM-P; MAAM-P; NM-P

³⁷ AM-P; MM-P

³⁸ FBF-P; MAM-P

³⁹ HMKM-P

⁴⁰ MZM-P15

the cases investigated (approx. 1/5) fall in this category. Apart from not fitting the attribute of being a regularly supplied item which are often sold on ograyi, customized products are often costly which makes renegeing on payment financially non-viable for the unit. However, even in this category some level of DP sales is unavoidable. As AM-P (cement poles) explained, his sales are contracted with clients who themselves are contractors and can repay once the final client (e.g., a coalition forces unit/service, Afghan government agency, or some other private entity) makes the payment to the contractor who then pays the initial suppliers (in this case, the manufacturer). MZM-P15's printing press deals in cash but only after products are supplied to the client. The company deals based on DP only with those he is "friends with" or knows them personally. A panel board producer (NM-P), despite calling DP a form of "selling oneself" (*tan-frooshi*, the word also used for prostitution), agrees to such sales after guarantees are obtained beforehand or with "friends" he has known since more than a decade. His opposition to the commonality of this practice of sales was because many companies in his industry could not continue as a result of facing serious shortage of circulating capital due to DP sales and had to shut down.

2. Companies producing non-customized items, such as food items⁴¹, iron and iron rod⁴², pharmaceutical products⁴³, PVC pipes⁴⁴, female hygiene products⁴⁵, electrical wire⁴⁶, plastic shoes and sandals⁴⁷, tissue paper⁴⁸, detergent⁴⁹, printing press⁵⁰, plasticware⁵¹, toilet sanitary systems⁵², and handicraft⁵³ have been witnessed to rely commonly on ograyi. These units most often have an intermediary operating between them and the final consumer. This intermediary is the one who purchases the products on ograyi. Three units⁵⁴ who do not produce custom-made products but avoid selling on ograyi, do so by skirting around the

⁴¹ ABM-P; ABNM-P; JM-P; MMF-P; RHF-P; ZKF-P

⁴² AGHM-P; MEWM-P; PKZM-P; ZMM-P

⁴³ AMPM-P

⁴⁴ BAKM-P; DMYM-P; HSMM-P

⁴⁵ NANM-P

⁴⁶ BHM-P; JKM-P

⁴⁷ BM-P

⁴⁸ HKGM-P

⁴⁹ MSSM-P; MWQM-P; NAAM-P; AM-P18

⁵⁰ DAAM-P; MTM-P

⁵¹ HRKM-P; NSM-P; QYM-P

⁵² NUHM-P

⁵³ NGF-P

⁵⁴ GZAM-U; HM-U; SNM-P

intermediary but nonetheless have to bear the cost of marketing and delivery directly to final customers.

The common determinant for DP sales in general (including ograyi) remains “trust” and mutual recognition, which partially permits almost half of the units producing customized products⁵⁵ to also rely on DP sales. Moreover, in recent years practice of DP sales in the context has increased, exacerbated by declining orders and demand in the economy⁵⁶.

Non-payment of dues is observed most often among the second set⁵⁷ of companies who rely on ograyi but also some of those⁵⁸ in the first set of companies who rely on DP sales. While non-payment remains a potentiality, the ubiquity of the use of ograyi compels the producers to rely on its practice nonetheless to secure a share in the market. Of all the investors, just three⁵⁹ do not practice ograyi or DP sales by any degree, among whom two (NMF-P; FBF-P) are in a very small-scale judging by the estimated current value of total assets and ograyi has not been used due to worries that it would effectively undermine the companies’ viability.

Only one producer⁶⁰ among the cases investigated positively assessed the role of ograyi because his company’s growth is owing to him purchasing his raw materials on this basis – a practice he continues to rely on. One producer⁶¹ did not make his sales strategy explicit but he mentioned signing a prior contract with clients before starting a new product (plastic bottles used as intermediate goods). This is often the case with companies relying on ograyi.

Despite its double-edged function (as both a threat to the unit and an impediment to re-allocate or exit), practice of ograyi holds one certain advantage for the seller in the form of a reciprocal non-legal undeclared agreement from the buyer’s end, to the effect that the buyer is less capable to shift in the short-run entirely to

⁵⁵ AAM-P; HMKM-P; HSSM-P; MAAM-P; BAM-P

⁵⁶ PKZM-P; ZMM-P; BAM-P

⁵⁷ HKGM-P; ARHM-P; JKM-P; MTM-P; MWQM-P; SNMM-P; SNM-P

⁵⁸ AM-P27; HSSM-P

⁵⁹ MM-P; NMF-P; FBF-P

⁶⁰ QYM-P

⁶¹ HSM-P

another supplier selling on better terms, given that (s)he has already entered into a relationship of mutual recognition and “trust” which has amassed for him needed social capital. Even if this aspect is disregarded in a purely calculative cost and benefit strategy, given that (s)he is indebted to the original seller, the shift might lead to the original seller demanding a payment of all past dues because (s)he is no longer concerned about losing the relationship (his own accumulated social capital) with the client in question. As such, the system also links sellers to buyers in a bond that functions almost entirely independent of the price mechanism firstly by the logic of social recognition and appreciation (i.e., social capital) and secondly by the mere possibility of financial duress to the buyer as a result of the original seller (in this case the producer) demanding a payment of all past dues.

Accessing raw material

This sub-section deals with the issue of circulating capital entrapment as a side-note but not directly linked to the above debate. Apart from its effect on re-allocation or exit, credit shortage problem associated with sales on DP is compounded by scarcity of interest-based commercial loans (see chapter 6 section 6.3 for detail) and the importation of raw material from foreign sources. The main structuring effect of accessing raw material from abroad manifests in the form of locking circulating capital away for the period that the raw material requires to reach the investor⁶². Purchase of raw material from a foreign origin also requires regular access to US dollar as an international currency. This access necessitates frequent exchange of money from the local currency, Afghani, into US dollar – excluding those who purchase imported raw material from traders in Kabul’s market – which can add a hidden cost due to depreciation of Afghani⁶³ considering that prices in the market cannot be adjusted daily with the fluctuations in the exchange rate. For instance, the trend in the exchange rate during the year of the fieldwork showed a depreciation of Afghani against dollar, from 69.4 Afghanis against \$1 on January 1, 2018 to 75.1 Afghanis on December 30, 2018. To bypass the financial costs owing to the exchange rate, in some cases, the products are sold directly in dollar in the domestic market⁶⁴. But in the majority of cases,

⁶² AAM-P; ABM-P; AM-P; AM-P; AMPM-P; ARHM-P; DMYM-P; HKGM-P; HSSM-P; JKM-P; MAAM-P; MMF-P; MZM-P23; NAAM-P; NANM-P; NM-P; NNM-P, NUHM-P, NSM-P; QYM-P

⁶³ ARHM-P

⁶⁴ AAM-P; FM-P; HKGM-P

investors sell in afghani (domestic consumers all cannot and are, needless to mention, not legally permitted to use US dollar as an exchange tender).

I have divided the units based on five criteria in regard to their main raw material access: a) raw material produced outside the country, b) predominantly produced outside, c) the component of imported raw material more than domestic raw material, d) predominantly produced domestically, e) entirely domestic. Seventy percent⁶⁵ of the cases in the research fall under category 'a', who use raw material that is produced outside or is of foreign origin. Among those in 'b', who predominantly – not entirely – use raw material of foreign origin are two units⁶⁶; under category 'c' whose raw material is more imported and less domestically produced are two units⁶⁷; under 'd' who use predominantly domestic raw material are four units⁶⁸; and finally, under 'e' who use only domestic raw material are seven units⁶⁹.

The defining characteristic of the units using domestic raw material or predominantly domestic raw material – 21 percent of the cases – is that these units all produce food products and use primary commodities as raw material. However, even among these, chemical components used for production and the packaging used as intermediate goods, which constitutes the main cost (if not the main raw material) they incur, comes from outside and present the same challenges as those units who source their raw material entirely from outside. In like manner, for iron melting and rod production units⁷⁰, a sanitary systems unit⁷¹, and an electrical wire unit⁷², the main raw material used in production, iron, bronze and copper respectively, are recycled scrap. This scrap is sourced domestically but the origin of its production is foreign. For the time being, despite these units relying on raw material that is, in origin, sourced from outside, they are not dealing with the challenges that sourcing the raw material from outside entails – which is

⁶⁵ AAM-P; AM-P; AMPM-P; ARHM-P; BAKM-P; BAM-P; AGHM-P; BM-P; DAAM-P; DMYM-P; FBF-P; FM-P; HKGM-P; HMKM-P; HRKM-P; HSMM-P; HSM-P; HSSM-P; JKM-P; JM-P; MAAM-P; MEWM-P; MM-P; MTM-P; MWQM-P; MZM-P; NAAM-P; NGF-P; NM-P; NNM-P; NSM-P; NUHM-P; PKZM-P; QYM-P; SNMM-P; ZMM-P

⁶⁶ MAM-P; BHM-P

⁶⁷ ABM-P; AM-P

⁶⁸ MMF-P; MZM-P; SNM-P; HM-U

⁶⁹ ABNM-P, GZAM-U; MSM-P; NMF-P; RHF-P; ZKF-P

⁷⁰ AGHM-P; MEWM-P; NNM-P; PKZM-P

⁷¹ NUHM-P

⁷² JKM-P

temporary given that iron scrap supplies are not indefinite. However, these units rely on intermediate chemical products that are imported, without which production cannot take place.

Accessing raw material from abroad also affects competitiveness of domestic producers against foreign competitors in the domestic market⁷³, or should they wish to export⁷⁴. In the former case, a foreign competitor incurs a lower cost of production because they have access to intermediate goods at home. In the latter case, domestic producers pay the costs of transporting the raw material, in addition to paying customs when importing them from abroad. Whereas producers in raw material exporting countries do not have to incur this cost, allowing them to price their products lower; hence, exporting the same item by Afghan producers to those neighbouring countries (currently not the case) have to incur transport costs twice and pay customs twice, raising their prices substantially. When intermediate goods have become available domestically, one investor is seen to have shifted to using the domestic item⁷⁵. However, this intermediate item is not directly added to the main end-product. Adding it to the end product would tarnish its credibility as domestic raw material (or products in general) do not enjoy a good reputation. This might reduce the product's saleability⁷⁶.

Moreover, in the event the border with Pakistan or Iran closes due to some reason⁷⁷, manufacturers and importers are unable to continue their operations. Due to such fears and to minimize the time delays resulting therewith, building precautionary raw material inventory, for one investor⁷⁸, has presented its own challenge in the form of trapping needed circulating capital. Using Iran for purchase of raw material or transport of goods has also posed a challenge due to the U.S.-led international sanctions on the country.

The need for intermediate goods in only one case⁷⁹ has induced a separate investment domestically by the same investor. The producer initially had a salt processing and packaging unit (which is inactive presently) and for it, he required

⁷³ MMF-P

⁷⁴ BM-P

⁷⁵ ABM-P

⁷⁶ AAM-P, ABM-P

⁷⁷ JM-P; PKZM-P

⁷⁸ HSSM-P

⁷⁹ QYM-P

plastic bags that were imported from Pakistan – which he chose to produce himself after imports of this vital component was stalled from Pakistan (reason was not given). The latter unit too is facing raw material access difficulties because the government of Iran, from where it's imported, has recently limited its exports.

7.1.3. Social Status Preservation and Symbolic Capital

By social status preservation I refer to a particular outcome of the AIE “social esteem” – which I have defined as a society-wide system of positional appreciation based on profession and the cultural capital accruing as a result – the idea builds on the concept of ‘social position’ as expounded by Bourdieu (see Swartz 1997 for a discussion of Bourdieu’s formulation and its own derivation from Marx and Weber). Here, I do not use social class as couched only in its material dimension as a concept due mainly to the fact that such a formulation might over-extend the understanding of class as it is understood in this way to all societies without allowing for contextual variation – the variation in question in Kabul’s context being the lack of an understanding of even the *nominal* existence of class among the participants. It is, therefore, the non-material (the symbolic) ‘class’ (or status) that informs participants’ behaviour and tendency for *distinction*. The interplay between the material and the non-material is nonetheless complex and requires further investigation in Kabul’s case.

The outcome of the AIE social esteem, in addition to its myriad other outcomes, is treated in here as a field element due to it playing as a component associated to the tangible/material domain of production which, if production is abandoned, would be deprived of its material justifiability. Preserving this status would, therefore, necessitate preserving its material justification which in this case is embodied by the production unit. In addition to this, there is another aspect that obtains out of a direct symbolic significance accorded to manufacturing by research participants; thence entailing ‘symbolic capital’ to the owners. These two aspects will be discussed in this section.

The point of this section is that production represents not only material but also cultural and symbolic capital that complements the material elements in the field, where reallocation or exit can threaten the status of being an “investor” (*sarmaya-*

gozar or *sarmaya'daar*) and “producer” (*tawlidgar*) – often adjoined by participants with the term national: “national investor” (*sarmaya-gozaar'e mili*). The topic analysed in here is the qualitative distinctions that have developed that indicate status resulting from engaging in production. In most cases, the productive activity forms the investors' only profession, requiring constant involvement by the investor, partly exacerbated by the conflict-affected market economy of Kabul. Consequently, qualitative changes in social status are linked to this one professional pre-occupation.

Except for two investors⁸⁰ – who are among the largest by size in the study group, potentially also the largest in the country in their industry and are able to introduce a degree of managerial division of labour in which the main investors are not directly involved in routine activities of the unit – other investors, given their personal role in setting up the unit and managing its daily affairs first-hand, maintain physical propinquity with the details of production. Being a producer, therefore, defines their daily life. The non-material outcomes of this close contact result in a status that is graded in a hierarchy of professions in society, underscored by the AIE defined here as “social esteem” which works as a distributional system of cultural and symbolic capital, apart from determining their level of wealth (i.e., social class).

Physical propinquity with production shapes how investors subjectively experience their social standing, and the preservation of this place in society is, in turn, dependent on preserving its objective basis (the production unit). Among the participants, the investment is treated as more than its merely monetary aspect (sometimes even referred to as an act representing *spiritual-existential* interest). The analysis observes the subjective dispositions of habitus but also certain objectively visible indicators (see below for detail). The productive activity's preservation, thus, is not aligned with the monetary aspect of it only and re-allocation or exit is conditioned by this concern in addition to the wealth-related aspect of it.

⁸⁰ JM-P; ARHM-P

Physical propinquity with the productive activity is observed by a change in investors' out-of-work life habits following entry into secondary sector – seen in the time they can dedicate to non-work activities. A sense of urgency to be physically present in the unit has obtained⁸¹ and, though in a few cases⁸² the investors' work routine allows more leisure time in comparison to a previous state or to a previous non-production sector job, this free time is only relative, and the investors cannot disengage and are required to maintain physical presence to monitor every aspect of the production process. Close engagement with the productive activity is explicitly stated, expressing a feeling of having been overtaken by concern for it (see chapter 8 section 8.1 for detail).

In the vast majority of the cases (over 90 percent), the participants have been personally involved in the unit's inception and its growth to its current state as the main responsibility taker, usually the same person taking charge of investing (and subsequent credit acquisition), internal management, marketing, and quality control (see chapter 8 section 8.1 for how this structure of governance aligns with the family structure). This affective involvement entails cultural and symbolic capital accruing to the investor, adding a non-material significance to the productive activity on top of it being a material profit-earning occupation – from one among various occupational choices⁸³ among whom the investor might be at liberty to shift if other elements are mute. This is seen to have raised the unit's importance to a significant life-project (described as a “tree”⁸⁴ or a “base”⁸⁵) that regardless of the behaviour of market prices, the investor strives to preserve.

In more than three quarter of the cases (79 percent), the unit constitutes the only livelihood activity⁸⁶, or the most important component of a complementary set of secondary sector and tertiary sector investments⁸⁷. Re-allocation or exit would

⁸¹ AAM-P; ABM-P; AGHM-P; AM-P27; BAKM-P; BAM-P; BHM-P; BM-P; DAAM-P; DMYM-P; HKGM-P; HMKM-P; HM-U; HSMM-P; HSSM-P; JKM-P; MAAM-P; MAM-P; MEWM-P; MM-P; MTM-P; MWQM-P; NNM-P; MZM-P15; NANM-P; NGF-P; NM-P; NNM-P; NSM-P; RHF-P; ZKF-P; ZMM-P

⁸² NUHM-P; MZM-P23; SNM-P; PKZM-P

⁸³ To put it in the language of RCT, transitioning between different available options to maximize utility, from preference 'A' to preference 'B', as the main determinant of individual behaviour.

⁸⁴ AM-P18

⁸⁵ BAM-P

⁸⁶ AAM-P; ABM-P; AGHM-P; AM-P18718; AM-P27; AMPM-P; BHM-P; BM-P; DAAM-P; DMYM-P; FM-P; GZAM-U; HKGM-P; HMKM-P; HM-U; HRKM-P; HSMM-P; HSM-P; JKM-P; MAAM-P; MAM-P; MTM-P; MWQM-P; MZM-P23; MSM-P; NAAM-P; NGF-P; NNM-P; NUHM-P; PKZM-P; ; QYM-P; RHF-P; SNMM-120718; SNM-P; ZKF-P; ZMM-P

⁸⁷ BAM-P; HSSM-P; MM-P

have the investor's social status, thus far dependent on the productive activity as its material underpinning, be determined in that instance by how the shift to another profession plays out. The above percentage shows one more thing, which is that more than three quarters of the participants have not ventured into other investments or sectors unrelated to and parallel to their existing unit; showing that apart from the capital needs of another investment, the uncertainty of making the shift by withdrawing from the current unit or, parallel to it, investing in an unfamiliar industry or sector to diversify their risk portfolio is not taken. Following market signals is, therefore, not a matter of seamless re-allocation or withdrawal of assets but is mediated by the AIE social esteem. The present enterprise, as a result, is central when it comes to investors' ability to retain social status.

For investors in the research, being acknowledged in society (*matrah shodan*)⁸⁸ or being placed among the "business class" (*tojar*)⁸⁹ is seen as a status-granting cultural dividend of being an investor. The cultural capital of being a producer⁹⁰, additionally, is seen in the honour and recognition one receives from other members in the social space. The image of an investor, and his/her perception of society of this image as "investor" (*sarmayadar* or *sarmaya-gozaar*) and a "producer" (*mowaled* or *san'at-kaar*)⁹¹, constitutes her/his view regarding her/his social status. This has translated, in some cases, into a disposition that defies the spirit of surrender (*tasleem*)⁹² by abandoning the activity in the face of hurdles. It is also stressed that, even though material changes from production have not been measurably significant, the non-material "spiritual gains" (*dast'aaword-e manawai*) have been greater to the investor⁹³. To others, their "good reputation" (*naam-e naik*) and it being widespread in the market in their industry, is emphasized.

In responses to the question "which social status do you think you belong?", investors predominantly insist on belonging to the "middle class"⁹⁴ or other less precise classifications (itself an outcome of an absence of knowledge regarding social stratification) such as in possession of "fairly good financial standing";

⁸⁸ DAAM-P

⁸⁹ HSM-P

⁹⁰ BAM-P; NM-P

⁹¹ AGHM-P

⁹² AAM-P; HKGM-P; MM-P; HSMM-P; MMF-P; MZM-P23; NSM-P

⁹³ HM-U

⁹⁴ AAM-P; AMPM-P; BHM-P; FBF-P; FM-P; HM-U; JKM-P; MAM-P; MWQM-P; MZM-P15; MZM-P23; NSM-P; NUHM-P; QYM-P; RHF-P; ZKF-P

financially “moderate” or “good” (*khoob*)⁹⁵, or earning enough to be “satisfied” (*raazi*)⁹⁶ or earning enough just to be able to “cover the business costs”⁹⁷, other terms used for this including “having a good reputation”⁹⁸, being “trustworthy”⁹⁹, “respectable”¹⁰⁰, “likeable” among people¹⁰¹ and be included among the “business class”¹⁰². In one case, the investor’s image belonging to a family with a long legacy in business is what defines his understanding of his social class¹⁰³ and in another¹⁰⁴, the investor saw belonging to the community of “investors” (*sarmayadar*) as signifier of his social class, which implies financial well-being – it was added though that “it depends on what we count as wealth... I have health, credibility, and social respectability, which are forms of wealth [I have] that cannot be purchased with money.” It has been generally avoided by the investors to be seen as boastful of their wealth or be associated to the “rich class” which might, from the standpoint of the same social system of status-based appreciation, be viewed as lacking in personal modesty - modesty and humility being the dispositions of habitus going back to the predominant belief system, Islam, which calls for humility before God (see chapter 3 section 3.5 for elaboration). The tendency for symbolic concealment of the monetary pursuit is therefore common.

This is also viewed in the recurrence of avoiding mention of material gain from production and reference to non-material outcomes accruing from it in response to whether they’ve seen a change in their social status¹⁰⁵. In only one case (NANM-P) the investor did not prevaricate, referring to his \$2m investment in the company as a sign of being rich, and contended that he cannot be counted among the poor in society. He thinks society too treats him with the same estimation. In another (SNM-P) the investor judged, based on his contact with lower, middle and the higher social classes, that he “has whatever is needed for a comfortable life”

⁹⁵ AGHM-P; ABM-P; AM-P18; BAM-P; BAKM-P; BM-P; GZAM-U; HMKM-P; HRKM-P; HSSM-P; MEWM-P; MTM-P; NANM-P; NNM-P; PKZM-P; ZMM-P

⁹⁶ DAAM-P; NM-P; SNM-P

⁹⁷ AM-P27; MM-P; MAAM-P; BAM-P; BHM-P

⁹⁸ AGHM-P

⁹⁹ BAKM-P; SNMM-P

¹⁰⁰ HSM-P; MWQM-P; NAAM-P; PKZM-P; SNMM-P

¹⁰¹ HRKM-P

¹⁰² HSMM-P; MAAM-P

¹⁰³ HSM-P

¹⁰⁴ SNMM-P

¹⁰⁵ AAM-P; ABM-P; AGHM-P; AM-P18; AM-270318; AMPM-P; BAM-P; BHM-P; BM-P; DAAM-P; DMYM-P; FM-P; GZAM-U; HM-U; HKGM-P; HMKM-P; HSMM-P; HSM-P; JKM-P; MAAM-P; MAM-P; MEWM-P; MM-P; MTM-P; MWQM-P; MZM-P15; MZM-P23; NAAM-P; NM-P; NNM-P; NSM-P; NUHM-P; PKZM-P; QYM-P; RHF-P; SNMM-P; ZKF-P; ZMM-P

– insinuating that he considers himself among the better off in society. Others avoided direct reference to representations of wealth.

Expressions of moderation and frugality formed important dispositional components of “self-esteem”, supporting the argument here that the investors’ self-image is not defined by an attitude for seeking wealth only, even though their actual activity is primarily meant to achieve this end. It is this other image of a “struggling benefactor” and the non-wealth aspect of their identity that, although tied closely with the material reality of their social status as producers, is the object of their efforts to preserve in addition to the material/income aspect of the productive activity. As put by QYM-P, a producer is not rich (*san’at-kaar, pool-daar nes*). This self-image transcends close alignment with how the competitive market prices is thought to guide the investor in or out of an investment. It is much more personal and durable; detached from being directly affected by the materiality of success or failure in the market and is perceived largely, in addition, in a non-material and symbolic form.

Social status is perceived also by comparing its current state with its pre-investment state when an investor was seen as an “ordinary” member of society¹⁰⁶, was engaged in financially low-earning professions such as teaching and shop keeping¹⁰⁷, did “menial work” (*kaarigar*)¹⁰⁸, or farming¹⁰⁹. In many cases, the perception the investors believe society has of their financial standing is higher than they think of it as actually existing; i.e., they think people view them as wealthier than they really are¹¹⁰. This self-appreciation from the others’ viewpoint (real or imagined) strengthens the link they view between their current productive activity and their social status – given that, being seen wealthy (the cultural dividend) to them is directly linked to being the owner of a production unit. The closure of the unit would predictably and until the same professional standing is established elsewhere, deprive the investor of the objective basis of this self-appreciation.

¹⁰⁶ AAM-P; MAAM-P; NNM-P

¹⁰⁷ AM-P18; NMF-P; ABM-P

¹⁰⁸ AM-P27; MAAM-P; NAAM-P; NGF-P; NM-P; QYM-P; SNMM-P

¹⁰⁹ GZAM-U

¹¹⁰ AGHM-P; AM-P27; AMPM-P; BHM-P; DAAM-P; DMYM-P; FM-P; GZAM-U; HKGM-P; HMKM-P; HSMM-P; HSSM-P; MAAM-P; MAM-P; MM-P; MTM-P; MZM-P15; NM-P; NNM-P; NUHM-P; PKZM-P; QYM-P; SNMM-P; ZKF-P

Other patterns have been observed in terms of preferences in habits which are indicative of signs of social status, for which the investors' current production unit and its material gain is necessary to maintain. This is seen in 1) sending children to private schools, 2) developing friendship bond with other producers and private investors, 3) changing mode of transportation (personal car), 4) and going for Haj pilgrimage. These objective signs of social status show patterns of behavioural distinction in the process of becoming an "investor" that, although not necessarily an outcome of the productive activity *per se*, are at least partly a product of the cultural capital attached to them. I elaborate on these visibly objective signs in here:

1) Private schools in Kabul have emerged in the post-2001 period. Traditionally, school system in Afghanistan has been government-run and free-of-charge which remains the predominant schooling system – given that the number of private schools compared to public schools is negligible and remains focused in larger urban centres like Kabul. Free public schools (and Universities) are open to Afghan citizens of any social background from early primary¹¹¹ to – subject to passing an entrance exam – the entry and completion of a University undergraduate degree (some courses also provide postgraduate courses). Private schools, on the other hand, are exclusive because they charge a fee and do not operate like a public service as do the public schools. Hence, private school represents a class boundary that is based on a measure of financial capability unlike the uniform treatment of all citizens in public schools. Apart from its apparent purpose of providing an educational opportunity, private schools represent a sign of distinction that is supported by 'economic' capital but is an attribute of being in possession of a status' cultural capital as well – they are for a few who can afford them.

As such, sending children and family members to private schools indicates distinction and shows, among others, belonging to a separate social group than the predominant masses. This is what almost three quarters (69 percent) of the

¹¹¹ Afghan school system begins with class 1 and continues to class 12 (class 1 usually coinciding with age 6). The 12 years of schooling is divided into primary (1 through 6), secondary (7 through 9) and high (10 through 12) stages. The student graduating from 12th class is granted a state-approved baccalaureate degree.

investors in the study do as well¹¹² - others either do not have children or, in rare cases, send their children to public schools. As stated by NM-P, who sends his children to private schools, “all kinds of people” come to public schools – a reason why he considers sending his children above class six to public schools to get a chance of interacting with people of other social classes as a matter of personal development.

A pattern was not identified among investors themselves in regard to their education level, which included various categories, such as vocational training¹¹³, undergraduate¹¹⁴, postgraduate¹¹⁵, semi-higher education¹¹⁶, high school¹¹⁷, middle school¹¹⁸, or no education¹¹⁹.

2) Status distinction was observed in the attitude of the investors to maintain friendship bonds with those they consider as peers and belonging to the same professional group. From the participants in the study, more than three quarters (77 percent)¹²⁰ have described their friends to be predominantly in the professional field as themselves or other professions closer to it (e.g., if not in production, in import and export trade). The social status distinction is accentuated by developing and maintaining social ties (i.e., friendships) within the circles that the investor sees as closely aligned to her/his profession; the word producer (*san'at-kaar*) or the more widely used “businessman” (*taajer*) forming a sign of professional distinction.

3) Social status is made explicit by other, more visible representations of distinction, such as type and number of personal vehicle. This sign of distinction is most apparent with respect to the community one lives and among one's peers.

¹¹² AAM-P; ABM-P; AM-P27; AMPM-P; BAM-P; BAKM-P; BHM-P; DAAM-P; DMYM-P; HMKM-P; HRKM-P; HSMM-P; HSSM-P; JKM-P; MAAM-P; MSM-P; MSSM-P; MTM-P; MWQM-P; MZM-P23; NANM-P; NGF-P; NSM-P; NMF-P; NM-P; NNM-P; NSM-P; NUHM-P; PKZM-P; QYM-P; RHF-P; SNMM-P; ZKF-P; ZMM-P

¹¹³ AAM-P; BAM-P

¹¹⁴ AGHM-P; AM-P18; AMPM-P; BAKM-P; BM-P; FM-P; HSMM-P; HSM-P; HSSM-P; DAAM-P; DMYM-P; JKM-P; MEWM-P; MM-P; MWQM-P; NNM-P; NUHM-P; RHF-P

¹¹⁵ HKGM-P; MSM-P; MSSM-P; SNM-P

¹¹⁶ AMPM-P; NANM-P

¹¹⁷ BHM-P; HMKM-P; JM-P; MAM-P; MTM-P; MZM-P23; PKZM-P; QYM-P; ZMM-P

¹¹⁸ NSM-P; SNMM-P; ZKF-P

¹¹⁹ AM-P27; HRKM-P; NAAM-P; NGF-P; NM-P

¹²⁰ AAM-P; ABM-P; AGHM-P; AM-P18; AMPM-P; ARHM-P; BAM-P; BHM-P; DMYM-P; GZAM-U; HMKM-P; HM-U; HRKM-P; HSMM-P; HSM-P; HSSM-P; JKM-P; JM-P; MAAM-P; MAM-P; MEWM-P; MM-P; MSM-P; MSSM-P; MTM-P; MWQM-P; MZM-P23; NANM-P; NGF-P; NMF-P; NNM-P; NSM-P; NUHM-P; PKZM-P; QYM-P; RHF-P; ZKF-P; ZMM-P

In the context, the model of a car and its company represents financial standing because cars with a higher model, recently produced, or produced by popular brands are more expensive compared to others that are less so. Buying a car of expensive brand, hence, showcases a change in one's financial standing. Some investors¹²¹ have changed their cars – from cheaper to more expensive – from what they had before becoming an investor. It has also been pointed out by those who have not changed their car brand that they have intentionally done so not to be seen as displaying their wealth.

4) Going to Haj pilgrimage represents another sign of distinction seen among some investors¹²². This is the last among the five main pillars of Islam (*for'o* or *benaa*); five principles that each Muslim should accomplish depending on physical and financial capability. To demonstrate utmost piety, a Muslim should perform them step by step¹²³, the last being "haj pilgrimage" (*haj*). The individual performing haj has fulfilled the last, most enduring and financially costly step among the five pillars and (s)he is entitled to carry the epithet *Haaji* (for men) and *Bibi Haaji* (for women) in Afghanistan, thereby always reminding the society of this one-time (or many times in some cases when the person has the financial means) act of religious devotion. Going to haj, apart from show of piety, requires the costs of travelling to Saudi Arabia, which means the ritual can be performed by persons who are endowed with adequate financial means to do so. It, therefore, carries in addition to its apparent representations another significance that complements the investors' attempts at demarcating her/his social class distinction.

Symbolic Capital

Among the cases, the disguised form of capital (justification of the material pursuit with symbolic appreciation) is underlined by the following AIE among the cases: 1) communitarian norm which is the embodied practice rooted in Quranic injunctions inculcating a charitable altruistic disposition toward one's relatives, neighbours, and the poor. This also encompasses a commitment to an abstract

¹²¹ AAM-P; AM-P18; ABM-P; BAKM-P; DAAM-P; FM-P; HKGM-P; HSSM-P; JM-P; MSM-P; MZM-P23; NANM-P; NMF-P; NUHM-P; PKZM-P

¹²² ABM-P; AGHM-P; ARHM-P; BAM-P; DMYM-P; HKGM-P; HMKM-P; HRKM-P; HSMM-P; HSM-P; HSSM-P; MEWM-P; MSM-P; MWQM-P; NAAM-P; NANM-P; NSM-P; NUHM-P; PKZM-P

¹²³ The others are "declaration of creed" (*kalim'e shahadah*), "prayer" (*namaaz*), "fast" (*roza*), and paying Islamic "taxes" (*zakaat*) respectively.

notion of unitary “homeland” (*watan*), a norm reinforced in some cases by a subjective solidarity with a war-torn “homeland”. This is a symbolic justification that unlike the participants’ claims regarding the initial inducement for investment along the same set of arguments (see chapter 6 section 6.1.3) is *currently* stated and, contrary to *recalling* what their subjective reasoning for investing in secondary sector was in the beginning prior to entering the sector, is a current subjective condition actively experienced (albeit when the interview took place). The sense of responsibility toward the homeland was the reasoning given by a majority for why they continue their engagement in production sector, in total comprising 71 percent of the investors.

Moreover, a sense of satisfaction is in evidence from being involved in production based on what is referred to as spiritual or non-material (*manawai* – a word that includes all things transcendental and spiritual as against concrete and tangible). One important part of the non-tangible component of the incentive for continuing production in the context is its contribution to the country’s economy¹²⁴, the community¹²⁵ or both of them combined¹²⁶.

Manufacturing by its physical attributes being geographically tethered to the economy of Kabul (and by extension Afghanistan) is seen to have strengthened this notion among study participants, that this sector embodies one’s commitment to the country and its people more than other activities. This is observed in the comparison producers made between their productive activity and import and export trade which is the largest and most favoured choice for private investment in Afghanistan, responsible for 51.7 percent of all private sector business licenses issued in the post-2001 period (until March 2018 when this data was accessed by me), a sector with which producers are mostly exposed either as buyers of raw material from importers or themselves having been in trade before. Manufacturing, in contrast, is responsible for just 4.8 percent of business licenses (see Table-2 in the Appendix for a distribution of business licenses by sector). Export and import trade sector is appraised as more inclined to earning a profit only; hence, it is seen

¹²⁴ AAM-P; AM-P18; DAAM-P; DMYM-P; HKGM-P; HM-U; HSSM-P; JKM-P; MEWM-P; NUHM-P; SNMM-P; QYM-P

¹²⁵ ABM-P; BAM-P, FBF-P; FM-P; MTM-P; NGF-P; NNM-P; NSM-P; RHF-P; ZKF-P

¹²⁶ AGHM-P; ARHM-P; BAKM-P; GZAM-U, HMKM-P; HSM-P; JM-P; MAAM-P; MM-P; MSM-P; MWQM-P; NANM-P; NM-P; ZMM-P

primarily *material* in its motive. While manufacturing, in addition to its material aspect, is seen as bound geographically to “homeland” and its “people”.

The relationship between the employee and employer is also shaped by person-to-person meeting and familiarization and the owner interacting regularly with the workers on personal terms. For example, a worker requiring leave is more likely to directly entreat the investor than an intermediary. The two points in the hierarchy, the owner and the lowest employee, mostly meet prior to recruitment and are in regular contact with each other in the workplace. This is because majority of the investors in the research (96 percent) attend, supervise and dictate the details of the activities in the unit first-hand by being physically present. The relationship between the employer and employee in such instances, particularly with long-term workers, goes beyond the limits of a prosaic work contract (which is mostly absent – see chapter 8, section 8.2.) and is based on personalistic contact. The communitarian AIE enacted through the mechanism of a close contact with workers and other staff in the company imparts a sense of responsibility to keeping them employed.

It is important to distinguish between what the investors perceive as an *outcome* of their production and what it, in tangible ways, delivers for the homeland and its people – which is rarely discussed. The *idea* behind their continued engagement focuses mainly on what their productive activity is *meant* to achieve. The outcome could be positive or negative, monetary or non-tangible. The perception of what the business is meant to achieve is the object to which I am drawing attention in here, as a form of self-induced symbolic justification for continued engagement in the sector. This being at the level of a sentiment, although complementing other factors, originates in the AIE in Kabul that views dedication to the homeland and its people as a positive attribute. To gain access to this attribute simultaneous with fulfilling one’s livelihood duties by earning a profit is a significant factor that accrues symbolic dividend to investors – a form of non-material capital that in the last analysis has its basis and reason for existence in the material domain of production.

Familiarity with the context which conditions the investors’ “horizon of expectations” (*habitus*) is encapsulated in a unitary nation, colloquially referred to

as “homeland” (*watan*). Living in *watan* and, more importantly, taking part in its reconstruction through the act of production appears objectively reasonable because the habitus of the investor is derived from this objective milieu where the investor feels “at home” – it comes naturally to live and work in such an environment. This is accentuated by knowledge of livelihood conditions that is gradually transmitted into the habitus as a practical generative scheme. Additionally, the norms governing social interaction, social ties and myriad other realities in implicit or explicit form gives the context of habitus’ development a typical characteristic that one may not find with the same extent of refinement and instinctive understanding as with other social settings.

The distinction secondary sector offers with respect to the homeland and the community is that it results in *towleed*; a palpable outcome that embodies the communitarian AIE, represented in Persian language in the word “*towleedgar*” (maker), closely linked to the concreteness of “building” (*saakhtan*) and seen intimately aligned with the pursuit to re-build a country that has witnessed periodic political violence since the late 1970s. Trade sector is devoid of this tangible aspect as it is mostly meant for earning a livelihood – and it mostly does not lead to hiring domestic workers or purchase of domestic raw material. Services are intangible by nature. Subsistence farming is yet to be overwhelmingly replaced by private sector investment in primary production to make it a contender in the symbolic market where value of an economic activity is assessed by its commitment to the country and society. Hence, manufacturing – described as the backbone of a country’s economy¹²⁷ – is the sector which raises in importance based on this appraisal, requiring the type of personal sacrifice that investors believe they are at its forefronts. This is expressed in statements like “it is up to us to build this country”¹²⁸, “I see myself in an economic battlefield in defence of my country”¹²⁹, “my investment capital belongs to these workers also and not just me”¹³⁰, “this money is the country’s money and should be spent carefully”¹³¹, “if ten individuals work for me, ten families will have an income”¹³², and “I don’t measure my wealth by the amount I have in the bank, but by the sincerity of the

¹²⁷ HMKM-P

¹²⁸ BAKM-P; HSM-P; NNM-P

¹²⁹ NSM-P

¹³⁰ MM-P

¹³¹ MSM-P

¹³² MWQM-P

bond I have built with my workers”¹³³. The purpose of continuing the investment to merely “feed our employees” or express benevolence toward them whom some investors referred to as “our boys” (*bacha’hai maa*) or “our apprentices” (*shagird’hai maa*) was witnessed recurrently as a form of symbolic reasoning underpinned by the communitarian AIE. Re-allocation and exit, therefore, would have to take into consideration the preservation of this and the investor’s social status that are directly linked and justified based on being a “producer” (*towleedgar*).

7.2. The Two Determinants

Apart from the above elements of the field that structure the ability of the investor to re-allocate or exit, this section draws the analysis toward those aspects of the field that, relative to those in the first section, are a degree removed from the particular level at which manufacturing practices exist. The elements discussed here are not specific to manufacturing *per se*, the distinction between these elements and the ones explained in the first section seen in their structuring effect. Whereas the elements in the first section were analysed for their effects on the ability for resource re-allocation or exit, the effects of elements in this section function insofar as they form the political economy backdrop in the context. They include:

- a) Susceptibility to security conditions,
- b) EEA’s effect; including, government role in production, and international and national competition

Attributable to the two determinants that were discussed in chapter 1, the saliency of the above two field elements is derived by observing patterns in the participants’ (un)prompted responses, often in answer to questions in the questionnaire but also in the form of digression from the theme under focus. Details of the two elements are mostly acknowledged by investors for their capacity to pose a “challenge” (*janjaal* or *moshke*) to their productive activity. They originate outside the zone of decision-making control of the investors but are, even so, directly relevant to the process of production.

¹³³ NM-P

It should be reminded that the second of the above two elements brings out the structuring effects of the explicit form of institutions; namely, EEA's legal and regulatory role in the form of market-oriented resource allocation. The militant insurgency too forms an explicit form of environmental "constraint" and, as such, performs a semi-institutionalized, irregular role. Following entry into the sector, the subsequent encounter of the investor habitus with the field of production is shaped by the elements discussed in this chapter, through which strategies to ensure investment continuation have come about (discussed in the next chapter).

The field elements in this section can lead to primarily two outcomes, namely, time delays and financial costs which have been derived – in the form of qualitative descriptions only – from participant experiential accounts. What I mean by time delay and financial cost can be illustrated by imagining company 'A's sequential or parallel processes of securing raw material, hiring the required number of laborers, producing and selling the product. If these processes, among others, take more time than is otherwise considered as average in the context (so goes for financial cost), then the time-difference (money difference) is taken as a time-cost (financial cost) in here. This information is accessible to the investor and me mostly in a qualitative state owing to the reason that quantitative measurement of the average time/financial cost and departure from the average would require collecting ongoing data on daily basis, which does not appear as an integral part of the managerial ethos in the context. This measurement, furthermore, does not form part of the research scope and if it did, it would nevertheless rely on 'empirical human' accounts to arrive at the quantitative data. An easier way was to at least capture the subjective time delay and financial cost by relying on participant accounts; the qualitative expressions of "delay" from what investors otherwise consider a "normal" time period¹³⁴.

Moreover, the time and financial cost originates mostly in the larger political economy of the context in areas that lie outside the scope of this research – the origin of, for instance, not being able to make a timely payment might lie, *inter alia*, in the inadequacy of payment methods, the problems of transitioning between past

¹³⁴ As Nee and Swedberg note (2008), not even in NIE that has overwhelmingly focused on "transaction costs" does a standardized system of indexes for them exist for use in empirical analyses.

and present technologies of payment, the delay in a banking transfer, the accidental power outage that causes an unforeseen postponement of a payment, a security incident that derails smooth business flow, the physical transfer of cash in the absence of a bank account, and so forth. While financial costs might be expressed in monetary terms when record keeping is available, this too subject to a moving average, time delays differ based on the context and most importantly, the human understanding of it. Study of such myriad factors would amount to a holistic exposition of every factor that has a direct or indirect bearing on productive activities in the form of time or financial costs, which is not the purpose in here.

7.2.1. Susceptibility to Security Conditions

I plainly asked participants whether “security” (*amniat* – referring both to political security and personal) conditions or particular incidents in the context have had a direct impact on their activities. Answers were mostly given in reference to the security incidents affecting everyone in a general way; as in, an incident such as a terrorist attack in Kabul does not distinguish in how it affects one from another person. Overall and in addition to the question in the questionnaire prompting this theme, the word “security” (*amniat*) was mentioned 190 times by participants. This “challenge” (*moshkel*) has had a direct link on their productive activities in various ways – discussed below. Of the total population of participants, more than half (57 percent) have used the word “suicide attack”, “explosion” or recounted an event involving open hostilities for explaining the impact of security conditions on production.

A common theme in this area was the drawdown of international troops by the end of 2014 (‘drawdown’ hereafter) as part of the transfer of security responsibilities from NATO to Afghanistan’s National Defence and Security Forces (putative official title of the post-2001 Afghanistan government military and security forces). The drawdown had been planned by the US President Barack Obama in a roadmap announced in 2011 to reduce US troop numbers in Afghanistan in a gradual process until the main security responsibility was officially handed over to Afghanistan’s security forces in June 2013 (for detail, see SIGAR, 2018) – the year Afghanistan was ranked as a ‘worse performer’ in Fund for Peace ‘Fragile State Index’ in 2014 (Fund for Peace, 2014). According to some participants, the drawdown is stated to have led to a widespread sense of uncertainty and

impending collapse of the post-2001 political system among investors, raising doubts concerning the post-2014 prospects of their investment¹³⁵.

Following this historical juncture, security challenges (e.g., suicide attacks), and economic challenges¹³⁶ are said to have increased in Kabul and based on one assessment “no one is ready to invest here” under the current conditions, willing instead to “transfer their capital to Dubai and other safer places”¹³⁷. The effect of the drawdown is experienced – apart from reference to the ‘economy’ in its totality – mainly in the form of financial cost owing to the reduction of the output volume for manufacturing units¹³⁸. The volume of “work” (*kaar*, a general reference to remunerative activities) and investment has declined in general¹³⁹. In one illustrative case providing an idea of this reduction (though not representative of all cases), a unit’s¹⁴⁰ annual revenue has decreased from a rough estimate of \$4700 (2015 exchange rate) two years prior to the interview to \$700-\$850 in 2018. In this case (a handicraft unit) the reduction was particularly sharp (approx. 600 percent) because the unit catered mainly to foreign civilian personnel in embassies and other customers to whom traditional Afghan clothes were appealing, the group of customers whose numbers have also decreased parallel to the drawdown. Other production units that mainly supplied to international coalition troops or the international civilian workers in the country, have seen a decrease in their output volume after 2014¹⁴¹. A decline in the overall international assistance has had an impact on the level of demand for these companies’ products (see chapter 4 section 4.1 for detail).

Related to security proper, the two words used by participants that suggest the gravity of the security condition and its structuring effect on their productive activity are “suicide attacks” (*intehaar*)¹⁴², and “explosion”¹⁴³ (*infijar*, used synonymously with *intehaari* but not necessarily always involving a suicide attack). Open

¹³⁵ HSSM-P; ARHM-P; MWQM-P, NSM-P; DMYM-P; HMKM-P; MSM-P

¹³⁶ AAM-P

¹³⁷ MSM-P

¹³⁸ AAM-P; ABM-P; AM-P18; AM-P27; ARHM-P; BAM-P; BHM-P; DAAM-P; DMYM-P; HSMM-P; HSSM-P; MAM-P; MAAM-P; MM-P; MZM-P15; MZM-P23; MWQM-P; NM-P; NSM-P; NUHM-P; PKZM-P; SNMM-P; MAM-P; NGF-P; NM-P; BAKM-P; NAAM-P; DMYM-P; ZMM-P; QYM-P

¹³⁹ AAM-P; MTM-P; MZM-P15; NAAM-P; ZMM-P

¹⁴⁰ NGF-P

¹⁴¹ AAM-P; BAM-P; DMYM-P; HSSM-P; MAAM-P; MAM-P; NGF-P; NSM-P; NUHM-P; MZM-P15

¹⁴² AAM-P; AGHM-P; ARHM-P; BAM-P; DAAM-P; AM-P; ARHM-P; HMKM-P; NGF-P; NSM-P; ZMM-P; SNM-P

¹⁴³ BAKM-P; DMYM-P; GZAM-U; HMKM-P; MEWM-P; QYM-P; SNMM-P

hostilities involving fighting between different sides to the conflict in Afghanistan, in Kabul or in provinces, is also seen as having resulted in time delays and financial costs¹⁴⁴. Other forms of events in the politics and social space have been mentioned – e.g., public protests¹⁴⁵, and elections¹⁴⁶ – but the common factors under this field element mainly have to do with suicide attacks, explosions and open hostilities.

In a generic reference, the effect of this element in the form of a total halt in productive activity, can be assessed based on the time estimates of decreasing activity level in the economy following a security incident. This is said to range from 3-4 days¹⁴⁷ to one week¹⁴⁸, one week to ten days¹⁴⁹, two weeks¹⁵⁰, a month¹⁵¹ and a month to 40 days¹⁵².

These incidents tend to have broad-ranging impact on production and sales¹⁵³ (including access to customers in other provinces), and in some cases has induced shrinking productive capacity mainly by laying off workers¹⁵⁴, also raising thoughts of terminating the activity¹⁵⁵ despite the structuring effects of elements in the field that configure the ability to re-allocate or exit (see first section in this chapter). In other areas apart from production volume, security-related concerns have led to postponing plans for expansion or making new investments¹⁵⁶. Companies that have less than four years of lifespan and were established following the 2014 juncture have also witnessed a gradual decline in activity with each passing year¹⁵⁷.

Just three units¹⁵⁸ among the cases investigated, although their owners did refer to the rise in political violence in recent years, have not witnessed a decline in their

¹⁴⁴ JKM-P; MEWM-P; MSSM-P; NANM-P; NUHM-P

¹⁴⁵ AM-P27; NNM-P; SNMM-P; ZMM-P

¹⁴⁶ MM-P

¹⁴⁷ ARHM-P; QYM-P; SNMM-P

¹⁴⁸ ZMM-P

¹⁴⁹ DAAM-P

¹⁵⁰ BAKM-P

¹⁵¹ MEWM-P

¹⁵² AM-P

¹⁵³ AM-P27; ARHM-P; DAAM-P; HMKM-P; NGF-P; NSM-P; ZMM-P; QYM-P; SNMM-P; BHM-P; NAAM-P; JKM-P; MEWM-P; NAAN-P; NANM-P; NUHM-P

¹⁵⁴ HRKM-P; JKM-P; MAAM-P; MM-P; MWQM-P; ZKF-P; NAAN-P

¹⁵⁵ BAM-P; NSM-P; SNM-P; MEWM-P; MM-P; MSM-P; MZM-P15

¹⁵⁶ AGHM-P; JKM-P; NGF-P; MZM-P15; MZM-P23; SNM-P; DMYM-P; AAM-P; AAM-P

¹⁵⁷ FBF-P; FM-P, HKGM-P, HSMM-P, MMF-P, MEWM-P, MSM-P, NANM-P, NNM-P, RHF-P, SNM-P

¹⁵⁸ HSM-P, PKZM-P; QYM-P

activities¹⁵⁹ or, conversely, seen a rise in their volume of production¹⁶⁰ – among these, QYM-P and PKZM-P pointed out the importance of personal safety due to criminal acts as more frequently felt by investors in general compared to the overall security threats in the country. Signs of wealth in society present its security challenges that are ‘particular’ in their effect, described in terms such as being seen rich can entail “difficulties” and “problems”, can engender “threats” to oneself and one’s family¹⁶¹, particularly for a woman investor¹⁶² due to the androcentric character of the Afghan family structure (see chapter 3 section 5). In three extreme cases¹⁶³, the investors have experienced attempts for their abduction or murder (the latter later discovered to have been done by a business rival) or have been caught in cross-fire during open hostilities.

In only one case¹⁶⁴ the unit benefits from some measure of security reassurance from threats by anti-government militants because 950 families with membership in the unit, who belong to different political sides including the Taliban movement, were said to benefit from the unit (a dairy union). However, an explosion in front of a building belonging to this unit nonetheless led to the death of four family members of its president (two brothers and two sons).

Subjectively, a sense of “bewilderment” (*hairaan bodan*) – a sign of uncertainty – and weariness is observed as a result of the gradual developments in the security conditions and the political life compared to a previous year or era¹⁶⁵. Such a perception, in rare cases, is transmuted into a normal reality, including in regard to such incidents as suicide attacks¹⁶⁶ – they are considered as *taken-for-granted* realities beyond the immediate range of the investor’s control.

Non-production related challenges in the environment of the investment are described in general terms that show their commonality, such as “living conditions [in the beginning] were not good, infrastructure was not available, opportunities

¹⁵⁹ PKZM-P

¹⁶⁰ HSM-P, QYM-P

¹⁶¹ MEWM-P; MTM-P; NSM-P; BAM-P; PKZM-P; MSM-P; MM-P; MAAM-P

¹⁶² RHF-P; MMF-P; ZKF-P

¹⁶³ NM-P; NUHM-P; MTM-P

¹⁶⁴ GZAM-U

¹⁶⁵ BAKM-P; BAM-P; DMYM-P; NGF-P; MTM-P

¹⁶⁶ AGHM-P; QYM-P; PKZM-P

were scarce”¹⁶⁷, “nothing existed”¹⁶⁸ “Afghanistan was war-ravaged and people were extremely irascible”¹⁶⁹, “problems [now] are numerous here”¹⁷⁰, “a general confusion predominates here”¹⁷¹, “a day has come that you cannot even trust your own brother”¹⁷² and other such expressions indicating uncertainty concerning the situation in the context, also showing dismay in some cases regarding the future prospects of their productive activity¹⁷³. For example, “one cannot trust the situation in Afghanistan” (*balaay’e Afghanistan etebaar nes*)¹⁷⁴, its “future is unclear”¹⁷⁵. An investor has to consider the “lack of guarantees”¹⁷⁶ and the prevalent “bad security conditions”¹⁷⁷ in Afghanistan when making up her/his mind to invest in its economy. One investor¹⁷⁸ stated that the “system” (*seestom*; i.e., the general attitude among public or private authorities of doing things) is as such that it is meant to harm the investment instead of providing help. “These people” (a vague reference to external actors directly or indirectly relevant to a manufacturing enterprise that can include the government, private sector competitors, and the international community) make it intentionally difficult for “an investor” to operate and investors are treated as if they are “thieves” (*dozd*)¹⁷⁹. A general absence of “encouragement” (*tashweeq*) or “caretaking” (*porsan* or *tawajo*) for the benefit of producers was lamented¹⁸⁰.

Afghanistan’s market was categorized as uncertain that lacks stability¹⁸¹ and has become more “difficult” (*moshkel’tar*) recently¹⁸². Those who have had their operations moved from a neighbouring country (mainly Pakistan and Iran) have a better standard of comparison regarding this, generally of the opinion that Afghanistan’s market is comparatively much less “stable”¹⁸³. Among these, JKM-P compared the prevalence of people’s “trustworthiness” in Pakistan to how

¹⁶⁷ AAM-P

¹⁶⁸ HSMM-P

¹⁶⁹ MAAM-P

¹⁷⁰ MEWM-P; MSM-P

¹⁷¹ MTM-P

¹⁷² QYM-P

¹⁷³ MWQM-P; MTM-P; QYM-P

¹⁷⁴ AM-P; ZKF-P

¹⁷⁵ QYM-P

¹⁷⁶ ARHM-P

¹⁷⁷ PKZM-P

¹⁷⁸ BAKM-P

¹⁷⁹ BAKM-P

¹⁸⁰ DMYM-P; GZAM-U; HMKM-P; JKM-P; NM-P

¹⁸¹ ARHM-P; MAAM-P; NMF-P; PKZM-P; MEWM-P

¹⁸² MM-P

¹⁸³ DMYM-P; HMKM-P; JKM-P

“everyone in here” (Afghanistan) lie in wait to harm you. He added that “there” (i.e., Pakistan), trustworthiness allowed for delegating tasks without concerns for abuse or misuse of funds, and people were more “humane”, “civilized”, “educated”, “patient”, “content” and “of compliant disposition who didn’t impose their views on you”, qualities that he implied were lacking in Afghanistan.

7.2.2. Elements Attributable to EEA

Government and Productive Activities

Challenges to producers that originate in the country’s government agencies originate in a) lack of active government support for manufacturing sector, b) corruption, and c) dispute resolution and tax system.

a) I asked participants about the relationship between government agencies and productive activities, particularly whether any government agency provided information (on imports, consumption level in domestic market, marketing, infrastructure and credit access, etc.) regarding the industry in which they were registering their business or subsequently during the active period of their unit. No participant said to have received such information from a government agency (or other forms of external agencies such as NGOs) at the point of registration or thereafter.

Apart from ‘information-sharing’, *any* form of regular relationship between the government and the industrial sector was not acknowledged in the vast majority of the cases (82 percent). One-off or occasional contact with a government agency was acknowledged by four participants but in the form of relaying complaints – due to security concerns, access to infrastructure, etc. – to encourage government’s support for the industry of the investor in question¹⁸⁴. Occasional or a one-off attempt to establish this relationship has had disappointing outcome in other cases¹⁸⁵; i.e., the requested change in the direction of government policy have not been taken into consideration, some of the ones made explicit by the participants included supportive tariff policies, access to credit, quality control (to boost credibility of domestic products), moral backing of domestically made

¹⁸⁴ AAM-P; ABM-P; AMPM-P; HSSM-P

¹⁸⁵ AM-P18; AMPM-P; ARHM-P; BAKM-P; BAM-P; BHM-P; BM-P; DAAM-P; FBF-P; FM-P; GZAM-U; HKGM-P; HMKM-P; HSM-P; HSSM-P; JKM-P; JM-P; MAAM-P; MAM-P; MEWM-P; MWQM-P; MM-P; MTM-P; MZM-P23; NAAM-P; NANM-P; NGF-P; NMF-P; NM-P; NSM-P; PKZM-P; QYM-P; RHF-P; SNMM-P; ZMM-P; ABM-P

products among the populace to enhance their image against favoured imports, assistance for access to raw material, assistance in accessing technical personnel, assistance in market access, support of industry through import substitution, government procurement of domestic goods instead of imported substitutes, a change in government bureaucratic procedures to reduce time delays for the investor, and information sharing by the government regarding the market for informed resource allocation. Raising import tariffs and providing export promotion as strategies for promoting domestic productive activities have not formed part of the government's policies – supportive tariffs were mentioned by two cases¹⁸⁶. Due to some of the reasons that were discussed in chapter 4, particularly the role of IMF, tariffs have not been increased on import of items whose partial substitution with domestic products is possible with existing domestic production capacity as stated by some investors¹⁸⁷.

It was also viewed, however, that in rare cases some government policies were advantageous¹⁸⁸ (regarding which I had prior knowledge), but that such measures – such as raising tariffs on imports – were not explicitly recognized as a form of “assistance” (*komak*; the word used for help in general, connoting a non-reciprocal act out of benevolence) and was viewed by one participant¹⁸⁹ as the government's “duty” (*wazifa*) and an “official responsibility” (*mas'oliat*) to serve its domestic producers; hence, delivering what is considered as a responsibility should not be, accordingly, appraised as a *komak*. Moreover, these interventions that have benefited the industry of some investors in general¹⁹⁰ or benefited an individual participant's unit¹⁹¹ are not part of a government industrial policy and have happened on ad hoc basis, case by case. Government support remains personalistic/arbitrary, rather than bureaucratic and institutional. Some investors¹⁹² referred to the country's president, Ashraf Ghani's “favourable views” regarding domestic enterprises, in whose administration's High Economic Council (a body directly answerable to the president) one producer is a permanent member who participates in its deliberations¹⁹³. The main support strategy

¹⁸⁶ AM-P; BHM-P

¹⁸⁷ AAM-P; AM-P; BAKM-P

¹⁸⁸ ARHM-P; BHM-P; DMYM-P; NAAM-P; MMF-P; NGF-P; NMF-P; RHF-P; MM-P

¹⁸⁹ ARHM-P

¹⁹⁰ ARHM-P; BHM-P; DMYM-P; NAAM-P

¹⁹¹ MMF-P; NGF-P; NMF-P; RHF-P

¹⁹² AM-P18; AAM-P; AGHM-P; BAM-P; FM-P; GZAM-U; HKGM-P; HSMM-P; HSM-P; JKM-P; NAAM-P; NM-P; NSM-P; PKZM-P

¹⁹³ PKZM-P

provided by the government is in the form of giving domestic producers a price advantage over foreign competitors in biddings for government projects based on regulations set by the National Procurement Authority.

However, the policy to give price advantage to domestic producers presents its own challenges based on the argument that, to qualify to participate in the bidding process for a government project in the first place, a bidder would need to supply numerous items at once (30 to 40 items according to AM-P18), of which the producer produces only one. Or, produce a bank statement showing financial capability, a condition beyond the investor's ability¹⁹⁴. Moreover, foreign service providers who often win in the bidding process prefer to purchase material from their respective countries due to their quality control standards. Even though the government makes pronouncements for privileging domestic producers, once a foreign company wins a project, it is in their hands to control the subsequent stages, including purchase of raw material and intermediate goods. Following the US-led international military drawdown, producers whose market niche was project-based, re-directed attention to securing government projects, which is described¹⁹⁵ as a challenge in itself due to the irregularities in project management and the time delays in making payments. The government's handling of these projects was appraised as one reason behind declining economic conditions in the recent three to four year¹⁹⁶. A gap between government promises for providing security, infrastructure or land, and their implementation is generally a recurring theme; i.e., such pledges are not put in place¹⁹⁷. In some cases, government's support (of any form) is not solicited at all because of the view that the quality of assistance would not align with these companies' needs¹⁹⁸ or the government is seen as too occupied with its own problems to be able to allocate time and resources for supporting producers.

b) Government "corruption" (*fesaad*) has been referred to as a challenge for production in the context¹⁹⁹ that can lead to time delays and financial cost to

¹⁹⁴ NM-P

¹⁹⁵ DMYM-P; BAM-P; NUHM-P

¹⁹⁶ HSSM-P

¹⁹⁷ ABM-P; AGHM-P; ARHM-P; BAKM-P; DMYM-P; FM-P; HKGM-P; HSSM-P; JKM-P; MTM-P; NM-P; ZMM-P; BAM-P; NNM-P

¹⁹⁸ AGHM-P; ARHM-P; HRKM-P; MTM-P; QYM-P; RHF-P; HM-U

¹⁹⁹ AM-P18; MEWM-P; MTM-P; SNMM-P; MAAM-P; GZAM-U; BAKM-P; AGHM-P; MSM-P; MWQM-P; QYM-P; MZM-P15 MZM-P23; HSMM-P; ZMM-P; SNM-P

complete paperwork or carry out other procedures involving government agencies. Government corruption also manifests in securing government contracts²⁰⁰. This aspect of the field is reinforced also by investors in the industrial sector that can wield a “mafia-like” power²⁰¹ – such as using collective resources for personal use. Most relevant to productive activities is illegal entry of goods from neighbouring countries²⁰², evading tariffs which allows for better price competitiveness compared to domestically registered manufacturers who are obligated to pay state taxes. This form of corruption can defeat the purpose of higher tariffs, if levied on particular import items, because of the possibility of importing through illegal routes. Corruption in customs, affecting some producers, has also on occasion led to time delays and financial costs for importing machinery and raw material²⁰³.

c) State legal system and law enforcement role in dispute resolution have not been relied on by the investors in the research. The state tax system appears cumbersome; a “copy paste of American tax system”²⁰⁴ and imported from a foreign country²⁰⁵ – the idea that it is a copy of U.S. tax code originates in the view that economic institutions in the post-2001 have an American stamp on them, making them liable to be considered alien to the context. Companies are required to pay taxes on earned revenues without any concession for infant industries²⁰⁶; i.e., the taxation timeline begins with the first company earnings. Corporate tax is set at a flat 20 percent rate without exemption according to article 4 of the 2009 Income Tax Law (MoF 2009). Government tax authorities are feared among investors because of the difficulties they can cause²⁰⁷ (one reason for why they were reluctant to participate in the research was also due to this fear – see chapter 5 sections 5.5 and 5.8 for detail). One such difficulty is arbitrary estimation of annual revenues²⁰⁸ and subsequently, a determination of the amount to be paid in taxes regardless of actual earnings. The pressure laid on private investors by tax

²⁰⁰ MAAM-P; MTM-P; ZMM-P; MAAM-P; MTM-P

²⁰¹ MSM-P; MWQM-P; NM-P; MTM-P; MZM-P15

²⁰² HMKM-P; MAAM-P; MTM-P; QYM-P

²⁰³ MTM-P; MWQM-P; NUHM-P

²⁰⁴ BAKM-P

²⁰⁵ QYM-P

²⁰⁶ MEWM-P

²⁰⁷ BM-P; QYM-P

²⁰⁸ QYM-P

authorities results in time delays and financial costs. State tax system also overwhelmingly affect legal employment (e.g., factory workers).

Other than these areas, non-enforcement of quality standards by the government can lead to time delays and financial costs because of applying for quality standard certificates from foreign sources ²⁰⁹ as well as lower credibility of domestic products, as there are no standards for domestic products for domestic consumers to judge whether to buy the product or not²¹⁰. State regulatory enforcement, on the other hand, has only been encountered in two cases related to labour recruitment²¹¹ (government has required replacement of non-Afghan laborers (Pakistanis) with domestic laborers in what appears to have been a security-related measure) and regarding health-sensitive products²¹² and to demand to limit industrial waste released into the environment²¹³.

International and National Competition

Based on EEA's 'liberalized' tariff regime (see chapter 4 for detail), competition has a 'particular' effect on industry. The colloquial word for competition in Kabul is *reqaabat*, a term connoting mainly conflictual encounter between two or more adversaries; clashing with the communitarian norm as an AIE. The nuanced connotation of competition as an act where benefits can be gained by both the parties involved and which can end harmoniously without the prospects of defeat to any participant is not in-built in the term *reqaabat*. To tone down the conflictual connotation, the word is adjoined with an adjective and is stated as "healthy competition" (*reqaabat'e saalem*). Hence, the term *reqaabat* in trade, whether from imports or domestic products, bears the imprint of its conflictual connotation among the cases investigated by viewing it as essentially negative. To illustrate, in reply to my question regarding *reqaabat*, a female investor simply replied: "we are all women in this industry". Meaning, we do not have a conflictual relationship that is aimed at hurting each other's companies (whereas, they all compete, in the usual sense of the term, in the same market in Kabul city) – the outright conflictual nature of competition would go against communitarian norm (here reinforced by a

²⁰⁹ AAM-P; BAM-P; DMYM-P; MAAM-P

²¹⁰ AM-P; AM-P; ARHM-P; HM-U; JKM-P; SNM-P

²¹¹ ZMM-P; QYM-P

²¹² JM-P, AMPM-P

²¹³ ZMM-P

gender-based feeling of solidarity). Other investors have replied by stating that they have “good” relationship but also compete (NAAM-P; ZMM-P), revealing a tendency that says competition is essentially viewed as contrary to good relationship. “We are like brothers, but we also have competition” (ZMM-P).

In addition to trade liberalization, non-payment of customs and illegal entry of foreign goods is the routine manifestation of the challenge related to competition from outside²¹⁴. Countries in Afghanistan’s neighbourhood export their products to Afghanistan’s market at a lower price. Domestic producers – usually operating at comparatively lower economies of scale as shown by their estimated net value of assets (see Table-5 in the Appendix) – are less capable to compete with these imports at the same price level. The competition is, therefore, mainly felt in prices. Domestic trade sector is comparatively much larger than manufacturing sector and have a longer history in Afghanistan, pre-dating 2002 and operating as an instrument of international competition by facilitating it²¹⁵. Of the three largest trade partners of Afghanistan – China, Pakistan and Iran – Pakistan and Iran are mentioned by participants for their export support strategies as a form of unfair competition. Pakistan and Iran are said by research participants to provide subsidies for their exporters in a ‘dumping’ strategy (the strategy of flooding an import market with cheap goods by intentionally keeping the price low) or the products coming from these countries have better packaging than domestic alternatives²¹⁶.

The challenges associated to competition are reinforced by non-enforcement of a domestic system of standards (either by a public agency or an NGO) as a measure to enhance credibility of a product in the face of imports that are perceived as standardized owing to their origin²¹⁷. It was stated by some participants that a prevalent reluctance exists to purchase domestically produced goods, by producers themselves considering domestic inputs as low grade²¹⁸ or by domestic consumers not purchasing “made in Afghanistan” products due to the very reason that it is produced domestically²¹⁹. Domestically produced items have, at times,

²¹⁴ AAM-P; ABM-P; HMKM-P; JM-P; HSSM-P; MAAM-P; MTM-P; NNM-P; SNM-P; ZMM-P

²¹⁵ HKGM-P; MWQM-P; HMKM-P; NGF-P

²¹⁶ ABM-P; AGHM-P; GZAM-U; JKM-P; MMF-P; MZM-P23; NSM-P; PKZM-P; QYM-P; NANM-P; RHF-P

²¹⁷ AM-P; SNM-P

²¹⁸ AAM-P; ABM-P

²¹⁹ AAM-P; ABNM-P; AM-P; AMPM-P; MWQM-P; NANM-P; JKM-P; RHF-P; SNMM-P; ZKF-P

been presented with “made in Dubai” or “made in Turkey” labels by companies working for projects whose other principal signatory has demanded the use of foreign material²²⁰, the same strategy adopted by others in the market to enhance saleability²²¹. Consumers are said to compare prices and not quality when making the purchase²²² or durability of the consumption period of a product before expiration, which is longer in the case of imports produced in more advanced economies using preservatives²²³. Lastly, when consumers get used to a product (overwhelmingly imported goods) it is uneasy to make them shift to a domestic alternative²²⁴.

International competition is brought closer to home by foreign companies working on the ground in Kabul, competing with domestic producers on biddings for projects²²⁵. This type of competition is perceived as unfair because foreign companies are better-placed due to their past profile-building activities for which they have certificates to present – certificates that producers in Kabul do not have and, through a long arduous process, would have to send a sample of their products abroad for testing if they want to get one²²⁶. Particularly, due to conditions imposed on aid money expenditure by Afghanistan’s international donors back home, certificates documenting the requirements are demanded before hiring a company for service delivery, which domestic companies often do not have.

Among the cases investigated, less than a quarter (21 percent)²²⁷ do not face international competition. These participants nonetheless have reported facing competition from domestic companies (companies registered in Afghanistan, majority owned by an Afghan, and selling in the domestic market), which is played out in terms of cost of production; i.e., lowering the cost of production allows for producers to sell at the same or lower price in the market than their competitor regardless of the effects of such a strategy on the product’s quality²²⁸. This is

²²⁰ AAM-P; HSSM-P

²²¹ JKM-P

²²² ARHM-P; BAKM-P; DMYM-P; NAAM-P; NAAM-P

²²³ GZAM-U

²²⁴ ABM-P

²²⁵ BAM-P; AM-P

²²⁶ BAM-P

²²⁷ BAKM-P; DMYM-P; HSMM-P; ARHM-P; DAAM-P; MZM-P²³; FBF-P; MM-P; NAAM-P; SNMM-P; NM-P

²²⁸ ARHM-P; DMYM-P; GZAM-U; HSMM-P; HSM-P; JM-P; MAAM-P; MM-P; NAAM-P; QYM-P; SNMM-P; ZMM-P

referred to as “unhealthy competition” (*reqaabat’e naa’saalem*)²²⁹ or “negative competition” (*reqaabat’e manfi*)²³⁰. As explained by SNMM-P, a company might initially produce better quality products (requiring higher cost of production) to garner good reputation and once this is attained, then resort to cost-saving as a competition strategy which leads to decreasing quality (concealed by the good reputation). In this type of competition prices are set in the open domestic market – although inter-industrial meetings are mentioned as a platform for establishing a harmonious relationship²³¹ – without effective quality monitoring by the state²³² or other quality control standard²³³.

As such, adjusting quality by lowering cost of production and using cheaper raw material is reflected in more competitive market prices. The evidence among investors suggests that this is the predominant strategy of competition among producers in Kabul. The shift to lower quality is particularly challenging for producers who previously dealt with high-paying customers requiring high quality products, whose production machinery and organizational capacity, including technical expertise, have been tailored accordingly, dealing mostly with coalition forces and international civilians (most of whom left Afghanistan toward the end of 2014). For these, competing in the domestic market would require reconfiguring the enterprise and its assets entirely.

The other strategy categorized as “unhealthy competition” is to directly subject a rival’s product to bad publicity by word of mouth²³⁴. Market relations being highly personal (see chapter 8 section 8.4), direct verbal communication with clients functions as a marketing strategy to the benefit of the communicating producer and, in a non-market competition, to the disadvantage of rivals who are not present or do not have this level of close relationship with the same client(s). The AIE NNN regulates such forms of information transmission. DP sales and *ograyi* is also used as an instrument of competition by which competitors supply finished goods to customers without asking payments on-the-spot to outcompete other sellers who ask a higher percentage of the initial value of sales or an upfront payment of the

²²⁹ ARHM-P; BAKM-P; DMYM-P; MAAM-P; MM-P; QYM-P

²³⁰ HSMM-P; MAAM-P; NAAM-P

²³¹ AM-P; AMPM-P; ARHM-P; BHM-P; BM-P; HKGM-P; HSSM-P; MMF-P

²³² ARHM-P; GZAM-U

²³³ JM-P; JKM-P; AM-P18

²³⁴ AGHM-P; AM-P18

total value²³⁵. A buyer (retailer or wholesaler), then, is better positioned financially with a producer who is willing to adopt *ograyi* and DP sales. Domestic competition was not evidenced in cases where a domestic industry is populated by a few competitors who collaborate with each other²³⁶, one large company enjoys a brand reputation²³⁷ or the company is the only one of its kind in the country²³⁸.

7.3. Conclusion

Due to the workings of the elements of the field discussed in the first section, the investors to a large extent are bound to the production unit in a way that limits the choice to re-allocate or exit in significant ways following entry. While the practical knowledge of manufacturing transmitted through habitus and regulated by AIEs embedded mainly in the family structure have led to the decision to enter the sector in majority of the cases, the decision to stay in the sector or the particular industry within, while being continuously shaped by the habitus' dispositions, is also conditioned by the physical constraints that this activity brings, and the social status and symbolic capital that accrues as non-material aspects of being a producer. Constituting the production field, it is through the investor habitus' encounter with these elements that adaptive strategies to ensure continuation of their unit have developed (see chapter 8).

Related to asset specificity, the type of machinery used in a unit secured by the investor – according to the type of commodity the investment is intended to produce – puts limits as to the ability of the investor to retrieve part of the initial cost if (s)he wishes to re-allocate assets or exit the sector. In majority of the cases, the assets are specific to the investment and transfer of capital to other sectors by the investor by closing the current manufacturing unit involves financial loss. Remaining in the industry and keeping some level of production volume, therefore, appears less costly in comparison. The relationship between the producer and the buyer (either retailer or wholesaler) was seen as characterised by the predominant habit of sales on *ograyi* or DP in general, dispersing the producers' circulating capital in many open accounts, and re-allocating or ceasing the productive activity

²³⁵ ARHM-P

²³⁶ BHM-P; HKGM-P; HSM-P; MEWM-P; NANM-P

²³⁷ DAAM-P; NNM-P

²³⁸ NMF-P; NUHM-P

involving the unravelling of the person-to-person sales relationship with clients which, as its most significant outcome, reduces the likelihood of retrieving past dues. The activity was also seen to have led to distinctions in social status, accruing a cultural capital, which is tied for its preservation to the productive activity, while affinity to the community and the 'homeland' forming the symbolic capital by emphasizing that manufacturing requires physical commitment to one's homeland as against trade and services which are less concrete and are more easily amenable to turn into liquid form. This functions based on a disavowal of the material domain of production but based on it in its objective reality.

The second section narrowed the focus by constructing the two elements of the field of production that paralleled the two determinants '1' and '2' as discussed in chapter 1. These parameters, recognized as "challenges" (*janjaal* or *moshkelaat*) by investors, lie in the political economy of the context and, from among myriad challenges that can exist in the environment, are cited more recurrently by the producers with respect to their activities.

It is seen that related to QPS 'inter-sectoral vertical expansion', the sector due to its physical and non-physical constraints, and the elements existing in the political economy of the context, has not been able to grow structurally significant. As structured by habitus' practical knowledge, the observance of the *emerging* possibilities for deciding where to invest; i.e., the tendency to take advantage of backward and forward linkages, is less common among the cases (it almost does not exist apart from one case²³⁹ which was established expressly to produce intermediate goods for use in other industries). As the data on access to raw material indicates, majority of manufacturing units source their raw material or technically sophisticated components (e.g., chemical additions) from outside or purchase them from importers.

²³⁹ HSM-P

Chapter 8. Data Analysis - Habitus and Adaptive Strategies for Enterprise Continuation

Building on the preceding chapters, this chapter explains the structuring effects of habitus on governance structure inside the units investigated. This effect comes to bear on two sets of decisions that both implicate the authority figure (the owner); a) routine decisions regarding the unit's operations, and b) decisions regarding scale of production. The former can include such mundane issues as giving orders to workers and line managers, ensuring the timely delivery of raw material, first-hand supervision of the production process, taking orders and contacting relevant individuals outside the business, maintaining discipline and solving grievances, small payments and making sure end-products are properly stored or delivered to customers, among others. This is the typical managerial duties that are needed to sustain the productive activity and can be delegated. The second set of decisions pertain the issue of scale, requiring larger expenditure. This can include purchase of new machinery, selling off assets, shifting the source of raw material or hiring (dismissing) labour in a way affecting scale, securing credit, and generally such areas regarding which decision-making cannot be delegated – the authority figure has to be informed and be the person giving the final order as it is him/her that will incur the cost. Both these sets of decisions – taken with the effects of habitus – are related to *how* inside and outside the units *adaptive strategies* have developed for investment continuation.

I use the terms 'adaptive strategies' and 'continuation' with a particular meaning in this context. The word 'adaptive' typifies a process involving an investor's responsiveness vis-a-vis the production field by pre-reflectively reproducing the structures of governance inside a family unit – to endow the unit with the capabilities required to *fit in* and continue its operations. 'Strategy', on the other hand, refers to some degree of conscious intent (or interest) to achieve this *fitting in* purpose on matters of daily concern both as part of the dispositional potentialities within her/his habitus, its fundamental form seen in the governance structure, and in conscious computation. The term *adaptive strategy*, as such, refers to an ongoing process that is primarily a product of the investor's habitus and, by being placed within the logic of the objective field of production – where

some estimations of the resources and the systems of distribution (material and cultural) are accessible to her/him – a degree of conscious calculation enters the decision-making process due to the crisis-ridden nature of the context. The main purpose adaptive strategies play can be summarised around one interest, namely, the expeditious adjustment of cost of production. Hence, the adaptive strategies regarding routine and larger questions are undertaken based on the habitus' structuring effects to ensure investment continuation by expeditiously adjusting cost of production.

I should point out that the word 'strategy' might say more than how its formulation and execution in contingent and constantly shifting tangible form looks like in the context – a detailed examination of which would require anthropological investigation that falls outside the scope of this thesis. A coherent planning and long-term delineation of costs, benefits and objectives – components of a strategy based on "calculative" approach – is supplanted by habitus by frequently re-arranging resource allocation in response to regular or drastic events in the field or the political economy of the context. In practical terms, the official formalities of devising a strategy are likely to be replaced by ad hoc and irregular interaction between the authority figure and other members of the enterprise in a manner similar to the family structure. The mode of communication most often relying on verbal face-to-face commands. The term 'strategy', therefore, should be read as an amorphous *general orientation* that has developed to adapt the enterprise's continuation to this field, and not as a bureaucratic process.

Use of the term 'continuation' tends to evoke a sense of duration in time; the time-span of adaptive strategies as related to their outcome, i.e., the continued *perpetuation* of the productive activity. It might help to distinguish this processual outcome from the term 'survive' which alludes to the act of pulling through a temporary adversity or succession of temporally determinate events that could undermine the life chances of the 'surviving' object. By continuation, on the contrary, I do not imply dealing with conditions that potentially or actually entail this adverse integral content but point to an unceasing dialectical encounter with the elements of the field – much like an iron being hammered by a blacksmith that takes a particular shape but continues to serve a purpose.

In this chapter I examine the structuring effects of habitus on governance structure of the units and, subsequently, the following three adaptive strategies that I have identified among the cases: 1) labour recruitment, 3) production modality, and 4) relationship with clients. It should be noted that these adaptive strategies have developed relative to the elements of the field – though not in a relationship of homothetic correspondence with them in the sense of solutions to particular challenges as part of an ongoing organizational planning. The AIEs I apply to analyse the data in this chapter are: 1) trust; 2) NNN; 3) obeisance; 4) prudential production. The chapter conclusion establishes the implications of the adaptive strategies to the QPSs ‘impersonal exchange’ and ‘bureaucratic governance’ as an indicative measure of manufacturing sector’s importance in the context.

8.1. Governance Structure

Governance structure in manufacturing units remains predominantly personalistic⁴⁵³ (authority concentrated in one person) as against organizational/bureaucratic, showing a top-down hierarchy. Governance itself being an adaptive strategy, this form of decision-making structure is patterned along a patriarchal family hierarchy to a large degree homologous in structure. The role of the authority figure in the family and the deference toward his station by family members is supplanted by the owner as the authority figure and same deferential attitude toward him/her by the administrative staff, superintendents and manual workers in a production unit. The ‘chain of command’ is characterized by the authority figure occupying the top position, conveying orders to workers directly or through a superintendent. The bond of consanguinity in the family unit is replaced here by a bond that is primarily characterized by necessity; i.e., the owner needing the labour force of the worker, and the worker needing the livelihood

⁴⁵³ To use Screpanti’s (1999) classification, the economic system in Kabul (and Afghanistan) closely aligns with classical capitalism. Screpanti uses Property Rights Regime (the normative, transactional and behavioural institutions that regulate the distribution of wealth and surplus value) and the Accumulation Governance Structure (institutions regulating capital accumulation) to distinguish between different stages of a capitalist economy. In the classical version of capitalism characterized by concentrated private property, wealth is owned by a few who belong to a specific class; i.e., the bourgeoisie. And individuals falling under the workers class own no property in the production process. Similarly, accumulation governance structure is linked to the ability of entrepreneurs to survive in the market or see a set-back or, worse, face bankruptcy. The accumulation process; i.e., the process by which capital, through productive uses and profitability, is valorised and grown larger, thus, is managed by the entrepreneur and its costs borne by him/her personally. This is contrary to the elaborate institutions in a modern capitalist economy which regulates accumulation and where there are multiple levels of distinction between owners (shareholders) and those in control of decision making (officers and directors). Based on these two criteria, the secondary sector in Afghanistan behaves as a classical capitalist system where those who claim residual rights (owners) also control the enterprise and appropriate the residual income.

opportunity to sustain her/himself and her/his family. This bond, unlike the familial bond established by nature, is established with wage the owner agrees to pay the worker. The AIE regulating the behaviour among the owner and the workers is based on the norms of behaviour as dominant in a family unit absent the emotional commitment.

Governance of the unit related to the two sets of decisions displays practical differences, more clearly observed in the extent the decision requires the physical attendance of the decision-making authority in the unit, as well as the frequency of a decision. Decisions regarding routine processes require physical attendance and if the main authority wishes to execute them, (s)he would need to visit the unit and be present in it in person. These types of decisions are relatively the more numerous and frequent. Decisions regarding larger matters, despite their potential for generating cost and heightened vulnerability to particular elements of the field, can be taken without the physical attendance of the authority figure. They are, moreover, by nature relatively infrequent. Among the cases, delegation of decision-making regarding the second set of decisions (i.e., larger matters) was mostly uncommon. Some delegation was observed regarding the first set of decisions; the decision-making task was handed over to someone else to supervise. In a vast majority of the cases, however, both types of decisions are taken by the authority figure. This exposes the decision-making modality and process to the effects of the authority figure's habitus, which is seen in the majority of the cases to have configured the internal hierarchy of the enterprise as a non-differentiated system, transmitting a unitary top-down approach to decision-making power that is already widely present in the context in the form of the 'mega-structure' family. The origin of this personalistic governance structure in Kabul's secondary sector can be found in the structuring effects of the investor habitus – given that other intervening institutional transfer of managerial and decision-making method was not discerned.

This adaptive strategy is underpinned by a sense of caution and prudence for personal wealth as a personal duty (toward the family, the community and even religion – see chapter 3 section 3.5 for detail). The AIE 'prudential production' is the main regulating norm for this adaptive strategy for continuation, i.e., a strategy that has developed by the investor as part of the everyday encounter with the field. The providential viewpoint underlying prudential production can be observed in

four-fifths⁴⁵⁴ (80 percent) of the participants, who have used common colloquial expressions pointing to providential hand in reference to their investment or the current state of their wealth: “whatever God has given us”⁴⁵⁵, “whatever God has seen us fit to bestow us with”⁴⁵⁶, “everything belongs to God and we’re its temporary custodians”⁴⁵⁷, “God gave me the idea to invest”⁴⁵⁸, “this property is first God’s and then mine”⁴⁵⁹, “firstly, I put my trust in God and began from nothing, ..., God helped me find a few machines”⁴⁶⁰, “we do not despair and think of ending the unit as we are in God’s hands and it is my belief that God does everything”⁴⁶¹, “we do [acknowledge and] send prayers to God for seeing us worthy of this bounty but we do not consider ourselves rich ... we only put our trust in God”⁴⁶². Prudential production as a strategy, based on this tendency of habitus, follows along the prevalent belief regarding the source of wealth, squandering which might be perceived as disregarding God’s ‘good will’ – also, as a more tangible outcome, it can threaten the livelihood of the participant and her/his family.

The personalistic form of governance and the level of hands-on involvement it requires – as against delegation –, serves two important outcomes: a) personnel costs (wages) are reduced because the investor her/himself performs the roles attributed to managers of finance, quality control, administration, marketing, logistics and other branches in a company, and b) physical attendance by the investor helps ensure that production scale is quickly re-adjusted based on the perceived or actual changes in the elements of the field. While the first outcome is self-evident, the second outcome based on the analysis in here is realized in three important ways: 1) labour recruitment, 2) production modality, and 3) relationship with clients.

Cases where decisions on routine affairs is entirely handed over to a ‘general manager’ (a super-intendent who replaces the authority figure but plays a

⁴⁵⁴ AAM-P; ABM-P; AGHM-P; AM-P27; AMPM-P; BAKM-P; BAM-P; BHM-P; DMYM-P; FBF-P; FM-P; GZAM-U; HKGM-P; HMKM-P; HM-U; HSMM-P; HSM-P; HSSM-P; JKM-P; JM-P; MAAM-P; MAM-P; MEWM-P; MM-P; MSM-P; MTM-P; MWQM-P; MZM-P23; NAAM-P; NANM-P; NGF-P; NMF-P; NM-P; NSM-P; NUHM-P; QYM-P; RHF-P; SNMM-P; ZKF-P; ZMM-P

⁴⁵⁵ BAKM-P

⁴⁵⁶ ABM-P

⁴⁵⁷ HKGM-P

⁴⁵⁸ HSM-P

⁴⁵⁹ HSSM-P

⁴⁶⁰ MAAM-P

⁴⁶¹ MWQM-P

⁴⁶² NSM-P

personalistic role as well) comprise less than one-tenth⁴⁶³ (8 percent) of the units investigated. Among these, the top-down personalistic hierarchy persists but the owner her/himself does not handle the routine affairs of the company (except MSSM-P who works six hours per day in the unit) and has handed it over to a 'general manager' (i.e., a superintendent). These units are seen to have other managerial operational divisions for finance, marketing, quality control, administration, and production supervision. Given the size of these units (they were the four largest among the cases in terms of estimated current value of assets and circulating capital in their industries (see Table-5 for detail), the top-down hierarchy has evolved into a relatively complex set of managerial configuration in them.

In some other relatively larger units in the study⁴⁶⁴ some division of labour regarding the routine affairs in the company management in the areas of financial management, production supervision, technical expertise, administrative coordination and marketing is seen. One distinction these units have with the four units mentioned above is that, among the latter, the authority figure (i.e., the investor) is physically present and handles both sets of decisions. The managerial sub-units, hence, are not decision-makers in these cases, have auxiliary roles in the company, and are there to handle the kinds of work (e.g., production monitoring, paperwork, financial coordination) that the investor him/herself does not have the time or the competence (such as when they are illiterate) to perform. Some companies have a less complex management body and only employ a "chief clerk" (*modeer*)⁴⁶⁵; a person who handles paperwork.

In others, division of labour in the management has developed in the form of an assistant to the main authority figure, an amorphously demarcated area of responsibility who plays more or less the same role as an elder member (the elder son most often) plays inside a family. This assistant is not in-charge of decision-making power within a branched-out bureaucracy inside a unit but functions as the 'right-hand' of the main authority figure without a clear agreed-upon portfolio. His services can be called upon when needed, the procedural mannerism of

⁴⁶³ ARHM-P; JM-P; MSSM-P; NNM-P

⁴⁶⁴ HKGM-P; MM-P; AMPM-P; MEWM-P; NAAM-P; HSM-P; PKZM-P; SNMM-P; MAAM-P

⁴⁶⁵ ABNM-P; AM-P27; BM-P; NANM-P

conveying the message remaining non-bureaucratic and mostly verbal, abiding by a deferential attitude of the assistant toward the authority figure. Other than this, handing over decision-making power to technical personnel and the generation of sub-entities inside the unit in-charge of performing specialized duties – as a sign of division of labour within the management of the unit – was not observed.

This personalistic hierarchy of decision-making applies to single-owned, partnerships, family-owned and union-based enterprises. In single-owned enterprises, the decision-making process for both larger matters and routine management is personalistic, i.e., decision-making power rests with the same person who also claims ownership of the company⁴⁶⁶. This individual goes to the unit daily, supervises all areas of production personally (stopping short of her/himself engaging in manual work) and dictates the details on the spot. In companies with this form of ownership, division of labour to bring organizational differentiation (in the sense of organic evolution of a unit to relegate tasks to specialized sub-units) extends to asking for non-binding occasional input from those who are directly in-charge of performing the duty in hand (a line manager or a worker in-charge of a task)⁴⁶⁷. Consultative role in this sense is seen in a line manager or worker wielding influence in decision making on routine affairs of production due to them having intricate practical knowledge of techniques of work in some specific domain of production. The owner, broadly knowledgeable of the details of work, nonetheless consults on small details.

This consultation also extends to internal⁴⁶⁸ or external⁴⁶⁹ advisor(s) other than the line manager or the worker. In these instances, control on decision-making regarding both the routine affairs and the larger issues in the company nevertheless rests with the investor. In partnerships, control on decision-making pertaining to larger questions in the unit is taken through ad hoc meetings between the partners who meet face to face and jointly deliberate on the decision. But regarding routine affairs of the production process, control on decision-making follows the above pattern of a single-owned enterprise. One partner controls

⁴⁶⁶ DMYM-P; JKM-P; MSM-P; NGF-P

⁴⁶⁷ AM-P18; AMPM-P; BAKM-P; BM-P; FBF-P; FM-P; GZAM-U; HKGM-P; HMKM-P; HRKM-P; MSM-P; HSSM-P; JM-P; MEWM-P; MM-P; MZM-P23; NANM-P; NMF-P; SNMM-P; ZKF-P

⁴⁶⁸ DMYM-P

⁴⁶⁹ AGHM-P; AMPM-P; MSM-P; MMF-P

routine processes inside the unit by attending every detail of production in person, who physically visits the unit on daily basis⁴⁷⁰.

In family-owned enterprises, questions regarding larger matters are dealt with through negotiation between the family member in-charge of routine activities (a male member among all the cases investigated) and the person who is the tutelar head of the company and the family (father or elder brother)⁴⁷¹. In other family-owned enterprises where the tutelar head is personally also in-charge of routine activities, decision-making regarding larger questions happens after consultation with other family members to seek advice⁴⁷². In family-owned units, the transmission of top-down patriarchal norms of control (commonly by the father but also the elder brother) with respect to important aspects of the unit is more direct given that the investment is, in effect, a family concern and is not distinguished from it. Finally, the top-down hierarchy is replicated even in the case of the units which officially are considered a 'union'⁴⁷³ (the unit has a different governance structure but only to the extent of the ownership claim of the union itself, which officially rests with 15 dairy cooperatives) or 'association'⁴⁷⁴ (a collective made up of 34 honey processing enterprises). The internal operations of these units are arranged the same way as in single-owned units.

In majority of the cases investigated (61 percent), the person who owns the unit and manages the main areas of finance, marketing, administrative coordination and production supervision are the same. Except for the four aforementioned cases in which a general manager makes decisions on routine affairs, in 92 percent of the cases the owner handles the unit's operations first-hand by being physically involved. Governance of the company, hence, is predominantly personalistic with only consultative role for line managers or workers tasked in specific duties in some units.

The hands-on involvement in the company's operations is also observed in the number of hours per day that makes up an investor's production-related work. This

⁴⁷⁰ AAM-P18; AM-P27; BM-P; FM-P; HSMM-P; MAM-P; MZM-P15; NUHM-P; QYM-P; RHF-P; ZMM-P

⁴⁷¹ ABM-P; ABNM-P

⁴⁷² ABNM-P; AM-P18; BAM-P; BHM-P; DAAM-P; MAAM-P; MEWM-P; MTM-P; MWQM-P; NAAM-P; NM-P; NSM-P; PKZM-P; ZKF-P

⁴⁷³ GZAM-U

⁴⁷⁴ HM-U

is the average number of hours spent for work, usually when spent within the company premises but also, in some cases, the hours spent to and from work. Work hours for an investor are not strictly delimited during the day; meaning, it does not have a set time to begin and end and can cover 24 hours, with a steady pace interrupted by high work pressure. On average 73 percent of investors spend 10.2 hours on work per day. Among these, 12 companies were visited during the month of Ramadan (16 May 2018 to 14 June 2018), during which working hours are reduced for religious purposes (and these were the work hours mentioned during the interview). As such the average working hour for the investors might be higher than 10.2 in normal times. Number of work hours range between 7.5 to 16 hours per day, with a median and mode of 9 hours. Among the remaining 27 percent of the units, six investors⁴⁷⁵ did not make the number of working hours explicit and have described it in such terms that indicate a change of life routine, and more time dedicated to work after investing in production compared to a previous job, suggesting inability to delegate tasks in the company and being personally in-charge of all its details.

On the other hand, female investors in the sample dedicate on average 5 hours per day on work (with one exception who claimed to spend 18 hours on work that seemed a hyperbole because it leaves 6 hours for sleep and other daily activities). The reason why women investors work lesser than men is because they also handle other affairs at home in addition to running the investment. These home tasks fall, for cultural reasons, within the domain of women's unpaid household employment. In general, the andro-centric hierarchy of a family is reproduced in manufacturing units discernible mostly in the absence of even consultative role for a woman employee – if they had women employee (not the case in majority of the units). Of the cases with a male owner, none had women involved as a decision-making authority. Of the female owners of units investigated, one's husband died and her earnings from the investment are mainly used for the purpose of educating the only male member still remaining in her family (her son), two mentioned non-family male individuals as important advisors who have a significant role in decision making despite not being the legal owners themselves (their role was spontaneously mentioned without my probing), another's husband and son now

⁴⁷⁵ AM-270318, BM-P, HM-U, HSM-P, MSM-P, NM-P

have decision-making role despite not being involved in the beginning in setting up the unit (in fact, the husband played a dissuasive role). Only one did not explicitly mention the husband, a son, or another male individual involved in the decision-making.

In another indication of the reproduction of the family structure inside the unit, the domains of menial work and the domain of control inside the factory; one associated with workers and the other with the authority figure, are separated in ways analogous with the family. The employer's office is usually in the same compound as the production unit, but a distance is maintained between it and the workshop where workers are placed – also common in how a family is set up where the domain of menial jobs and chores inside the house are centred around the kitchen and handed over to the women to handle, to which a man's entry might be perceived as 'unmanly'. In a degree that is less laden with gender-based differentiation in division of labour but influenced by the association of menial work with a comparatively less respectful role, the environment of work and production is relegated to workers and a worker representative functions as the link between the two separate domains of 'control' and 'work'. This is almost universal in all the factories visited for the research except for cases in which technological capacity has resulted in a higher necessity for technical labour and a concomitant re-adjustment of their role as *educated* individuals, who are more worthy of respect.

The personalistic governance structure in majority of the units can be attributed to the tendency for hands-on involvement in the routine activities of the firm, being physically present to monitor the production process and manage the day-to-day affairs of the company and the larger questions pertaining to expansion or downsizing. The overlap between the social domain of family and professional activity is further blurred by the frequent mentioning of 'family' by participants as the source of help for setting up the unit and when met with a difficulty through the life-span of their activity – nearly four-fifths of the cases. Among the routine activities of the units based on data, personalistic governance structure structures labour recruitment, modality of production, and client relations as components of the adaptive strategy for continuation through expeditious cost adjustment. I discuss each area in here separately.

8.2. Labour Recruitment

Labour – hired worker other than the investor – remains the main component of cost of production for manufacturing units because the sector is predominantly ‘labour intensive’ (the labour and capital ratio tilts starkly in favour of labour in the production process) (refer to chapter 5 section 5 for elaboration). Adjusting cost of labour with frequent rise or fall in the activities of the unit in response to gradual or sudden changes in the elements of the field forms part of the adaptive strategy for continuation. Adjustment of labour cost is carried out in the following three ways:

- a) Labour precarity: unencumbered rapid dismissal of the work force on short notice.
- b) Arbitrary pay scale: irregularity among the cases investigated between the range of the lowest pay to the highest pay.
- c) Arbitrary work hour per day: decided based on the volume of work by the investor than following a set schedule.

The AIE ‘obedience’ in the governance of units is patterned along a top-down family hierarchy except that in the case of units, the emotional commitments are absent. In a family unit, those serving the family (members) strive for its continuation through obedience and deference toward the authority figure. The treatment of non-members (servants) is in the form of auxiliaries and supplements toward achieving this objective. They also do not have the emotional privilege of family members and their contact with the family is transitive and ‘changeable’. Moreover, the codes regulating relationships in a top-down family are non-contractual and ad hoc (i.e., give and take in a family being based on a natural bond and not contracts), which is seen to be the tendency that also shape how laborers’ work hour, pay scale and recruitment are decided on non-contractual and ad hoc basis in the absence of other legalistic impositions by a coercive agency (the bureaucratic agencies of the state).

- a) Labour precarity: because of the difficulty in measuring ‘labour precarity’ in the context, the method I have relied on to derive this information suggest the inability

by participants to give exact number of workers they employ at the time the interview was taken – more than three-fifths⁴⁷⁶. They gave “approximate” (*taqriban*) or “estimated” (*dar hodood*) numbers. This may have to do with the habitus’ effect to view such a matter as not within the principal domains with which the investor her/himself should bother, leaving it instead to the super-intendent to deal with. The same structuring effect can be seen as an evidence of the unimportance of labour force numbers given its continuously changing state.

Among the cases, some⁴⁷⁷ explicitly pointed to the labour numbers being subject to frequent “change” (*taghir*) – the frequency rate being subjective⁴⁷⁸ – or that there are categories of laborers whose population is not stable. A little more than a quarter⁴⁷⁹ of the participants were able to give an exact number of workers hired at the point of interview, of whom 70 percent hire less than 20 workers. Some among these⁴⁸⁰ also referred to labour numbers as frequently changing. Referring to labour force numbers in estimates is one indication that suggests, among other things (e.g., record keeping being uncommon), of frequent changes that takes place in actual number of workers a unit hires. Labour precarity is observed more clearly in the cases where a core group of work force, whose population is known in relatively more precise terms by the investor, is kept in the unit longer than the others (mostly manual workers).

The other indicative sign of labour being precarious is the uncommonness of legal procedures for recruitment; i.e., the process is devoid of such formalities as taking an official interview, extending a work offer, signing an agreement and a formal resignation procedure before the worker leaves the unit. The decision on this is taken by the authority figure without a legal constraint in the form of performing some binding formal ceremony or signing a “contract” (*qaraar’dad*), to determine the terms of employment between the worker and the company. Laying off workers, therefore, is not encumbered by an employment *qaraar’dad*, verbal or

⁴⁷⁶ AAM-P18; AGHM-P; AM-P18; AMPM-P; ARHM-P; BAKM-P; BAM-P; BHM-P; BM-P; DAAM-P; DMYM-P; FM-P; GZAM-P230718; HMKM-P; HRKM-P; HSMM-P; HSM-P; HSSM-P; JKM-P; JM-P; MAAM-P; MEWM-P; MZM-P23; NAAM-P; NM-P; NNM-P; PKZM-P; QYM-P; SNMM-P; SNM-P; ZMM-P.

⁴⁷⁷ BM-P; DMYM-P; HKGM-P; HSSM-P; FM-P; HMKM-P; HRKM-P; JM-P; MAAM-P; MEWM-P; MWQM-P; NNM-P; NSM-P; QYM-P; SNM-P120718; ZKF-P

⁴⁷⁸ Broaching the participants’ conception of “frequent” lay outside the scope of the research.

⁴⁷⁹ ABM-P; ABNM-P; FBF-P; MAM-260818; MM-P; MSSM-P; MTM-P; MWQM-P; MZM-P15; NGF-P; NMF-P; NSM-P; NUHM-P; RHF-P; ZKF-P.

⁴⁸⁰ MWQM-P; NSM-P; ZKF-P

documented (where the latter exists). A contract or *qaraar'dad* in here represents a mere reference by participants indicating mostly a verbal ceremony (a conversation regarding the terms of work with the worker as they are mostly illiterate) to hire and should not be construed as a *guarantee* of employment or another legal form of employment security (I use *qaraar'dad* hereafter to avoid the misunderstanding that the word contract might induce). Based on a personalistic governance structure and top-down hierarchy, legally-defined recruitment procedure that requires enforcement by a state agency does not fit within the habitus' practical knowledge considering the importance that non-pecuniary relations inside the family structure plays in the context.

Related to the verbal *qaraar'dad*, I have divided the units into:

1. Those who practice this form of a pre-recruitment verbal agreement with workers⁴⁸¹ (21 percent)
2. Those who do not follow this formality⁴⁸² (30 percent)
3. Those who partially⁴⁸³ practice this formality⁴⁸⁴ with some categories of workers (31 percent)
4. Those in which a relative move away from casual to more formal recruitment based on monthly payment – as against “irregular pay” (*ojoora*) – is observed⁴⁸⁵ (17 percent)

Laborers hired on the basis of “monthly” (*maah'waar*) or working on “long-term⁴⁸⁶” basis (*dayemy*) are relatively stable and do not hold the same status as “temporary” (*maqta'yi*) workers, the latter hired for item-based or daily-based assignments. Commonality of temporary labour constitutes an important indicator of labour precarity based on which companies⁴⁸⁷ hire a worker to produce an item whose payment is determined according to the aggregate number of items (s)he

⁴⁸¹ AM-P18; ARHM-P; HKGM-P; HSMM-P; MAM-P; MMF-P⁴⁸¹; MM-P; NAAM-P; NAAM-P; NSM-P; NUHM-P
⁴⁸² ABNM-P; AM-P27; BAKM-P; FBF-P; FM-P; HMKM-P; HM-U⁴⁸²; HRKM-P; HSM-P; HSSM-P; JKM-P; MZM-P15; NMF-P; SNMM-P; SNM-P

⁴⁸³ The extent of this partial long-term or contracted labor and non-contracted item-based labor was not researched due to reasons of scope.

⁴⁸⁴ AAM-P18; ABM-P; ARHM-P; BAM-P; BHM-P; DAAM-P; DMYM-P; GZAM-U; JM-P; MAAM-P; MSM-P; MTM-P; NNM-P; MEWM-P; PKZM-P; ZMM-P

⁴⁸⁵ AMPM-P; AGHM-P; MSSM-P; MTM-P; MWQM-P; MZM-P23; QYM-P; RHF-P; ZKF-P

⁴⁸⁶ This is a subjective concept; meaning, “long-term” can mean a few months to a few years, or it may be based on the personal bond between the producer and her/his employee which to her/him seems immune from short-term alteration. The measurement of long-term in quantitative terms was not part of the research. In here, only a qualitative reference to this term is relied upon.

⁴⁸⁷ ABM-P; BM-P, FBF-P, HRKM-P; NGF-P; SNMM-P; ABM-P

produces regardless of the unit of time. This type of employment terminates when the needed number of items have been produced. This is also observed in temporary work “per task” (*ejaara* or *teeka*) to perform a set duty in the production process (in whatever amount of time it takes) and get paid according to a prior *qaraar’dad*⁴⁸⁸. Temporary recruitment is also observed in workers hired on per day basis⁴⁸⁹; who, similar to the item-based workers, remain in employment until the required number of days the unit needs their labour.

In one outlier case⁴⁹⁰ workers are hired on relatively long-term basis, who are said to have 24 days annual leave, 10 days of sick leave, a week of leave on the occasion of their marriage, and 3 days leave for funerals of blood relatives. It also pays the treatment for injury on duty⁴⁹¹. This company has an on-site non-Afghan general manager in-charge⁴⁹². It was also the largest unit based on estimated current value of assets among the companies investigated. In this unit, the pay scale is not arbitrary and is commensurate to the job categories under which workers are hired and paid accordingly. Recruitment procedure in this unit goes through formal application, shortlisting and in person interview before a worker is hired. Every worker has a three month probationary period before being admitted as a long-term employee. This level of precision; i.e., specific steps that determine the qualification of a labourer for the intended task, is not observed in other cases.

In some units the labourers’ qualification is improved on the job. The initial stages of work which can take days, weeks, or months, involve a learning process⁴⁹³. In such units, frequently hiring and dismissing new workers would require replicating the learning process.

Among the cases, legalistic institutions; namely government labour law and unions promoting them, if practiced, do not impinge upon the top-down hierarchy of governance in production units that are transmitted through the individual habitus – a structuring structure much more actively present when it comes to managing

⁴⁸⁸ ABNM-P; DAAM-P; SNM-P120718; HRKM-P; MEWM-P; NM-P

⁴⁸⁹ AM-P27; FM-P; NMF-P; NNM-P; MEWM-P; HMKM-P

⁴⁹⁰ ARHM-P

⁴⁹¹ MSSM-240618 too has this facility

⁴⁹² The permission to sit for interview to the marketing manager was granted by him.

⁴⁹³ AGHM-P; ARHM-P; BAM-P; DAAM-P; FBF-P; HSM-P; HSSM-P; MM-P; NAAM-P; NSM-P; NUHM-P; ZMM-P

routine affairs of the unit. In three outlier cases⁴⁹⁴ existence of some form of relationship with a labor union (a remnant of the pre-1990s period of war) was acknowledged but this union is said to exist mostly in name. Among these, one investor acknowledged a one-time visit by representatives of the union who promised to return and enlist his workers, but he believes that “such things are new in Afghanistan” and that Afghanistan is a “war-ravaged country”, and a labor union is an organization that is common in “other worlds” (presumably meaning economically and socially advanced societies). In other cases when the answer to this question was given with some detail (in the negative), the existence of any contact with a labour union was not acknowledged⁴⁹⁵. It was said that the union exists but is practically irrelevant, considered alien to Afghanistan’s context with the reasoning that “workers are poor people and don’t want to get mixed up with such things. They simply want to earn a living”⁴⁹⁶.

In another case⁴⁹⁷ the idea of labor union was associated to workers being “educated” and of a better social standing than the workers his company hires who are “ordinary people” and content with what they receive from the company. Similarly, ARHM-P put the idea of union membership in the same category as other unnecessary troubles from which the company strives to steer clear and continue its work “in peace”. The idea of labor union representing a trouble was reiterated by MWQM-P. Curiously, in one case⁴⁹⁸ which acknowledged paying a small monthly stipend to a union, what the investor considered the union’s role was to ‘discipline’ workers when they renege on previous commitments made to him, such as leaving his unit for another because of higher pay despite his company having incurred money and time to train her/him.

Labour precarity is one aspect of the adaptive strategy for continuation discussed here as “labour recruitment” that applied in practice can permit for quick (re)adjustments of the cost of production. The criteria that predominantly sets the conditions for hiring a worker are: 1) whether the investor needs the individual at a particular time based on needed rise in output level and, 2) whether the worker’s

⁴⁹⁴ MEWM-P; DMYM-P; QYM-P

⁴⁹⁵ BAKM-P; NSM-P

⁴⁹⁶ BAKM-P

⁴⁹⁷ DAAM-P

⁴⁹⁸ DMYM-P

skill set matches the requirements to perform the duty that is needed for the rise in output.

b) Arbitrary pay scale: Among the cases investigated, 41 have given salary figures for the lowest monthly wage they pay (see Figures 14 to 17 in the appendix) that is broken down into the following four grades:

1. Less than \$100⁴⁹⁹: In 56 percent⁵⁰⁰, lowest monthly pay falls under the first grade (somewhere between \$41.6 to \$100 per month), with an average of \$77.4, median of \$83 and mode of \$97.
2. \$101 – \$150: Another 32 percent⁵⁰¹ fall under the second grade, with an average of \$121.9, median and mode of \$138.7.
3. \$151 – \$200: One unit⁵⁰² falls under the third grade (\$166.4).
4. \$201 – Above: Three cases⁵⁰³ fall under the fourth grade of \$201 and above – with an average of \$282.5 and median of \$277.4.

The above figures indicate a wide inter-sectoral variation and even within the same units – a sign suggesting that pay scale does not follow a measure of pre-set institutionalized standard and is decided arbitrarily by the investor. The same applies to the highest pay scale. Among the cases investigated, 43 units have provided salary figures for the highest monthly wages they pay, which I have divided into four following grades:

1. Less than \$250: Among the cases, 49 percent⁵⁰⁴ fall under the first grade, with an average of \$155, median of \$166 – it is a bimodal set, \$138.7 and \$208.
2. \$251 – \$500: Among the 43 cases, 21 percent's⁵⁰⁵ highest pay scale fall under the second grade, with an average of \$403.9, median of \$416 and mode of \$277.4.
3. \$501 – \$1000: 26 percent⁵⁰⁶ fall under the third grade, with an average of \$730.7, median and mode of \$693.5.

⁴⁹⁹ To give this context, monthly Consumer Price Index in Afghanistan during the year of field visit (2018) moved between \$111 (the lowest bound) and \$113.5 (the highest bound) (National Statistics and Information Authority, 2019).

⁵⁰⁰ ABNM-P110618; AMPM-P; BAKM-P; BM-P; DAAM-P; FBF-250418; GZAM-U; HKGM-P; HSMM-P; HSM-P; MAM-P; MEWM-P; MMF-P080718; MTM-P; MWQM-P; MZM-P15; MZM-P23; NAAM-P; NSM-P; NUHM-P; QYM-P270718; RHF-P; SNM-P

⁵⁰¹ AGHM-P; AM-P18; AM-P27; BHM-P; DMYM-P; HMKM-P; JKM-P; JM-P; MAAM-P; MM-P; MSM-P; MSSM-P; ZMM-P

⁵⁰² AAM-P18

⁵⁰³ ARHM-P; BAM-P; HSSM-P

⁵⁰⁴ RHF-P; ABNM-P; NMF-P; ZKF-P; MMF-P080718; BAKM-P; BM-P; JKM-P; MAM-P; MZM-P23; QYM-P270718; SNM-P; AM-P27; MSSM-P; AM-P18; FBF-P; HMKM-P; MM-P; MWQM-P; NAAM-P; NSM-P

⁵⁰⁵ GZAM-U; MSM-P; MTM-P; AAM-P18; BHM-P; ZMM-P; AMPM-P; HSSM-P; ARHM-P

⁵⁰⁶ ABM-P; HSMM-P; JM-P; NUHM-P; BAM-P; HKGM-P; MAAM-P; AGHM-P; HSM-P; DAAM-P; DMYM-P

4. \$1001 and Above: Two cases⁵⁰⁷ fall under the fourth grade that pay \$1001 and above (\$1387 and \$3000).

In regard to four cases⁵⁰⁸, the lowest paid laborers receive item-based pay at \$0.01, \$6.9⁵⁰⁹, \$0.08, \$0.15 respectively. In regard to four other cases⁵¹⁰, the lowest paid laborers are paid daily at \$3.2, \$4, \$5.5 and \$1.4 respectively. It is important to mention that even among some of the cases who have given monthly figures, daily and item-based payment for lowest paid worker is common. To illustrate, in ABM-P's case which did provide salary figures for the lowest and highest monthly pay scale, nevertheless, manual labour is paid separately for three separate items of work: 1) physically unloading a 49kg sack of wheat from a transport truck and carrying it into the company's storage, 2) physically carrying the sack of wheat from the storage to the production station (a 3 storied building) and emptying its contents into the input receiver machine (located in the topmost floor) to produce flour, 3) physically carrying the sack of flour (from the first floor) to the truck and loading it for transportation to the customer. These tasks are paid \$0.06, \$0.04, and \$0.05 respectively. A worker doing all three components of the task will be paid \$0.15 for one sack. Doing the same work with 100 sacks (involving physically transporting 14.7 tons of weight) can earn her/him \$15. The above eight units' highest pay scale too remains item-based and daily-based.

Among the cases in the research, only three cases⁵¹¹ have given precise figures for the salary they give their labour force. In the remaining 94 percent of the cases, the salary range has been described in terms suggesting a gradual gradation. The salary begins from a baseline (the lowest paid worker) and goes up "slowly" (*ahesta ahesta*). The criteria that might help to raise wages for manual labourers⁵¹² are a) the longevity of building a history working in a unit (*saabeqa dashtan*), and b) learning the task (*yaad dashtan*). These two criteria form the basis of face-to-face or mediated (through a head worker or the super-intendent) negotiations that can lead to arbitrary incremental pay rise by the investor. As is observed – most

⁵⁰⁷ FM-P; PKZM-P

⁵⁰⁸ HRKM-P, NGF-P, SNMM-P, ABM-P

⁵⁰⁹ In this case, the item consists of a handmade finished tailored product (e.g., shirt, dress, etc.) which explains the reason for why the item-based wage is comparatively higher.

⁵¹⁰ FM-P; NMF-P; NNM-P; ZKF-P

⁵¹¹ NMF-P; RHF-P; NNM-P

⁵¹² Given that the criteria for technical labour is already her/his technical skills and for administrative labourers their education level.

closely in the uncertain figures given for lowest paid to highest paid – this leads to multiple individuals in the same job category (manual, technical and administrative) earning different amounts based on this arbitrary nature of salary scale determination.

In companies in which organizational and labour-related division of labour⁵¹³ has developed comparatively more, the decision to pay workers by the investor(s) is taken according to the area of work they perform – primarily based on the distinction between “manual worker” – also called “apprentice” (*shaagird* or *kaargar*) –, technical labour (*kaargar’e takhniki*; i.e., labour requiring knowing how the machine used in the unit operates even if not literate) and administrative labour (*kaarmand’e edaari*; i.e., work requiring the ability to read, write and disseminate information). The lowest pay in these units is given to the manual worker – among these, the lowest is paid to a newly-hired who has little prior experience in her/his area of work. The incremental increase in wages for manual labourers following gaining experience, does not, nevertheless, go so high as to begin to overlap with amounts paid to technical and administrative wages. The second pay scale up in the ladder is for technical labour who bring prior experience in the area of work for which they are hired. The highest pay in the unit is given to administrative staff who are required to be educated to a certain degree to qualify. In units hiring only manual labour⁵¹⁴, the distance between the lowest pay scale to the highest pay scale is the least compared to the rest of the cases where a combination of manual and technical, manual and administrative, or manual, technical and administrative branches operate. This too indicates that for physical labour, the gradual increase in the wage level meets a ceiling that is not too distant from the lowest pay – it does not rise to the level of technical or administrative pay scales.

In only one case⁵¹⁵ reference was made to government minimum wage regulation for setting the pay scale for highest and the lowest (\$69/month) – the unit hires manual labour only. No inter-industrial institutionalized pay scale for physical, technical or administrative labour was referred to by participants as the basis for

⁵¹³ABM-P320618; AGHM-P; AMPM-P; ARHM-P; DAAM-P; DMYM-P; GZAM-U; HKGM-P; JM-P; MAAM-P; MSSM-P; PKZM-P

⁵¹⁴AM-P18; AM-P27; BAKM-P; HMKM-P; HRKM-P; JKM-P; MAM-P; MMF-P080718; MWQM-P; MZM-P23; NGF-P; NSM-P; QYM-P; NMF-P; RHF-P; SNMM-P;120718 SNM-P; ZKF-P

⁵¹⁵ RHF-P

setting wages hence decision regarding the pay scale remains arbitrary; i.e., it is structured by the investor habitus based on the decision-making hierarchy within the unit.

As its outcome, adjusting labour cost by arbitrarily setting the pay scale constitutes a component of the adaptive strategy to ensure continuation of the unit. Setting the scale of salary does not follow a set labour law, allowing the amount of salary to be set arbitrarily by a personalistic governance structure inside the unit; i.e., the investor(s) decides which work category (e.g., falling between workers hired for cleaning to workers operating the machines and requiring technical knowledge) gets what amount of salary – seen in the variance of the range of lowest to highest pay among the units (see Table-7 in the appendix for more detail). Moreover, the units being labour intensive, those paid high wages constitute a small percentage of the total labour force because such high wages are given to the few technical and administrative staff whose numbers, compared to the manual labour required to operate the machines, is much lower⁵¹⁶.

The other forms of regular financial cost strengthen the view advanced here that the field of production is placed in close association with the family domain – workers treated as auxiliaries but worthy of occasional charity. For instance, the company incurs the cost of providing dining opportunity inside the unit for workers when work hours coincide with breakfast, lunch or dinner (the latter is seen in units working two shifts, day and night) – a cost that three quarters (74.5 percent)⁵¹⁷ of investors incur. In two-fifth⁵¹⁸ of the cases, some workers choose not to return home at the end of their working day even if their residential home and family are in Kabul. This is said to be because a significant portion⁵¹⁹ of their salary would be spent on transport cost if they returned home every night. Some others have their residential home in provinces other than Kabul and remain in the company premises for consecutive weeks or months before taking a vacation. During these periods, the company provides them with collective accommodation (multiple

⁵¹⁶ Disaggregated data on manual, technical and administrative labor was not sought for reasons of scope.

⁵¹⁷ AAM-P18; AM-P18; ARHM-P; ABNM-P; AGHM-P; AMPM-P; BAM-P; BAKM-P; BHM-P; FBF-P; DAAM-P; DMYM-P; FM-P; GZAM-U; HKGM-P; HMKM-P; HRKM-P; HSMM-P; HSM-P; HSSM-P; JKM-P; MAM-P; MEWM-P; MMF-P; MM-P; MSM-P; MSSM-P; MTM-P; MWQM-P; MZM-P15; NM-P; NNM-P; NSM-P; NUHM-P; PKZM-P; QYM-P; ZKF-P; ZMM-P

⁵¹⁸ AGHM-P; BAKM-P; BHM-P; DAAM-P; DMYM-P; FM-P; HMKM-P; HRKM-P; HSMM-P; HSSM-P; JKM-P; MAAM-P; MEWM-P; MM-P; MTM-P; NNM-P; NSM-P; NUHM-P; PKZM-P; QYM-P

⁵¹⁹ Depending on the distance between the unit and their home in the city.

workers in one room) which constitutes a one-off⁵²⁰ cost for the company; i.e., the initial expenditure incurred to build the rooms inside the company premises. The association to family (or servants in the family) is seen the strongest in the payments made to laborers arbitrarily in the form of monetary assistance⁵²¹, on the occasion of the two Islamic Eid⁵²² (an elder also pays this – called *eidee* – to children and youngsters as a gesture of kindness but also to demonstrate and abide by the hierarchy of elder/youngster), an upcoming event to celebrate (such as a marriage ceremony), during times of distress (e.g., death of a family member), or for occasionally buying them clothes.

Non-salary payments having to do with work only were witnessed in seven units⁵²³ which give better performing workers a “bonus” (*bones* or *bakhsheshi*) as a form of encouragement. Occasional assistance requiring financial cost to the investor to the workers include, in some cases, medical expenses for workers for injury at work or other monetary assistance to this end⁵²⁴, transportation to and from work⁵²⁵, and purchase of mobile credit cards⁵²⁶.

C: Arbitrary work hours per day: From the cases investigated, nearly three quarters (69 percent)⁵²⁷ did not provide precise numbers for daily work hours for their laborers, answering the question regarding labour work hours in terms that indicate a continuous shift – increasing during times of high work volume but otherwise remaining steady at a minimum level. At the minimum level, on average a labourer works 9.6 hours per day in the units investigated – with a mode of 8 hours and a median of 9 hours. Above the arbitrarily set number of work hours, if a worker works overtime, some units⁵²⁸ pay, on hourly basis, for the overtime work. Some others among these units⁵²⁹ have pointed out the increase in work hours in

⁵²⁰ This is a one-off cost because the accommodation units cannot be rented out to outsiders due to their location inside the walled compounds of the factories; hence, foregoing rent to workers does not constitute subsequent opportunity cost for an investor (they will likely remain empty if not accommodating the workers).

⁵²¹ AM-P18; AMPM-P; BAKM-P; HRKM-P; HSSM-P; JM-P; MEWM-P; MSM-P; MSSM-P; MTM-P; NAAM-P; QYM-P; SNM-P090618; DAAM-P; ARHM-P; ZMM-P

⁵²² The elder in a family, as part of the Afghan culture, give monetary “hand-outs” (*eedee*) to children and the young.

⁵²³ AGHM-P; HKGM-P; HSSM-P; DMYM-P; HKGM-P056018; JM-P; SNMM-P

⁵²⁴ ARHM-P; ABM-P; HSM-P; MSSM-P; NM-P; PKZM-P; ZMM-P

⁵²⁵ AAM-P18; MAAM-P; MMF-P; MM-P; MSSM-P; MZM-P15

⁵²⁶ DMYM-P; MSM-P; SNM-P

⁵²⁷ AAM-P18; ABM-P320618; ABNM-P; AGHM-P; ARHM-270618; BAKM-P; BM-P; DAAM-P; FBF-P; FM-P; HKGM-P; HMKM-P; HRKM-P; HSM-P; HSSM-P; HM-U; JM-P; MAAM-P; MAM-P; MEWM-P; MMF-P080718; MM-P; MSM-P; MSSM-P; MTM-P; MWQM-P; MZM-P15; MZM-P23; NAAM-P; NGF-P; NMF-P; NSM-P; PKZM-P; SNMM-P; ZMM-P

⁵²⁸ ABM-P320618; DAAM-P; FM-P; HSSM-P; MAM-P; MEWM-P; MSSM-P; NAAM-P; PKZM-P; ZMM-P

⁵²⁹ AAM-P18; BM-P; HSM-P; MAAM-P; MTM-P; MZM-P15; SNMM-P

accordance with the heightened volume of production without referring to whether this is compensated with an overtime pay⁵³⁰. In only one-fifth of the units⁵³¹ the workers have a comparatively fixed number of work hours per day, which is on average 9.7 hours per day – with a mode of 12 hours and median of 9.5 hours per day (see Table-6 in the appendix for a complete drawdown of work hours per day or per item).

The above analysis suggests that labour recruitment functions as an adaptive strategy by working on the basis of precarious labour, arbitrary pay scale and arbitrary work hours per day. These three, combined, function as an adaptive strategy for continuation because the main cost of production (wages) is adjusted relatively quickly by laying off workers, offering a lower pay, and increasing the number of work hours when the production volume increases.

8.3. Production Modality

Production modality refers to whether the units follow “order-based” (*sefaresh*) or pre-order production. The first is based on receiving verbal orders from clients as the main information used for allocating resources, the second based on producing to supply to open markets where guaranteed purchase as in the first case does not apply. Order-based production is determined by the producer and the client agreeing, *prior* to allocation of production input by the producer, to produce a certain item with guaranteed purchase in the end, in which the transaction follows any other type of face-to-face agreement in society and the role of market; in the form of a spontaneous impersonal institution becomes irrelevant. Here, the AIE “trust” as a non-inquisitive disposition to take others’ “words” (*lafz*) on face value functions as an ordering mechanism and coercive mechanisms (e.g., state laws, regulatory and law enforcement agencies) do not appear to be involved. Production modality functions as an adaptive strategy because it permits for resource allocation based on short-term plans; hence, adjusting costs to the level of production without risking a glut.

⁵³⁰ It is worth noting that, in cases where overtime pay has been mentioned, it has been referred to as a non-salary assistance to the worker.

⁵³¹ AM-P18; BAM-P; BHM-P; DMYM-P; GZAM-PU230718; HSMM-P; JKM-P; NNM-P; NUHM-P; QYM-P; SNM-P

Pre-order production, to the contrary, indicates to a degree, institutionalized exchange through an impersonal marketplace that entails production capacity being utilized to produce a commodity for sell in return for its exchange value in the event of finding the right bidder (i.e., customer). I consider this form of exchange in advance of *guaranteed* purchase to constitute a ‘market-based’ exchange, based on which the entity referred to as “market” (in all its myriad details and complex processes) determines whether the product brought into it – where it meets the other side of the bargain, the buyer – will at the end of the day remain in the producer’s output inventory or will be sold. If the latter does not materialize, the price might need correction, or the marketing strategy ameliorated. To the contrary, in order-based production, purchase is guaranteed – structured by the AIE “trust”. Under this system, product details, the price and the guarantee of purchase are settled prior to resource allocation. The proposition “supply meets its own demand” is, then, supplanted with “supply only if purchase is guaranteed”.

Based on the analysis of the producer-buyer relations on the field, what approximates to an “exchange relation” is not, in most cases, distinguishable from any other type of social relationship (see section 8.4. in this chapter for elaboration). Market exchange, as such, is one form of *social* relationship in the context that is devoid of the spontaneity involved in an ephemeral exchange and requires recognition and trust-building. Given habitus’ structuring effects on governance and the encounter with the elements of the field as its objective reality, production is often “coordinated” by producers and buyers prior to resource allocation. This order-based exchange relationship subsequently permits use of *ograyi* and DP sales (see chapter 7 section 7.1.2).

Based on order-based production, the producer puts use (or purchase) of raw material on standby until receiving an order, relying on the verbal promise and based on mutual recognition – this AIE’s role is made more significant by the fact that a promise of future exchange, where currently the parties have not transferred any goods or other forms of value, does not constitute an exchange as per the Sharia law (not that it is forbidden but it is simply not recognized as an exchange). Hence, the promise of purchase cannot become the basis for legal proceedings should one party (in this case the buyer) reneges in the future. In rare cases, order-

based production was seen to also involve taking an advance payment by the producer⁵³².

Among the cases, more than three-fifth (69 percent) of the cases entirely or predominantly rely on order-based production⁵³³. Among the order-based producers, nearly one-third (37 percent) produce for projects⁵³⁴. Projects are governmental or NGO contract work for which production takes place only after a formal agreement is reached between the producer and the contracting party.

To the contrary, one-tenth⁵³⁵ of the cases were observed to produce prior to receiving an order for supply to market. Where information relayed by the market plays a role in determining resource allocation and output volume, it happens based on first-hand dealings (the producer visiting the buyers or sending a representative). This information is combined with order-based production to plan the company's upcoming production schedule⁵³⁶. Other than this, stock keeping (a sign of pre-order production) is an aberration from normality which is based on order-based production, seen when sales witness a downturn, as is the case during the month of Ramadan⁵³⁷. Pre-order production is, in other cases, for keeping labour force occupied considering that dismissing them and re-recruiting in short order would entail some level of time delays given that in this environment of production the sudden rise in orders would require a quick re-adjustment of factors of production to meet the buyer's demand. Moreover, keeping workers hired but idle is observed as a form of waste⁵³⁸. The pre-order production in such cases leads to an inevitable but temporary increase in output stock and does not suggest a reliance on impersonal markets. Pre-order production is also observed for precautionary stockage for sudden orders⁵³⁹.

⁵³² MAM-P; NNM-P; AAM-P18; DMYM-P

⁵³³ AM-P27; MAAM-P; AAM-P18; BAM-P; HSSM-P; HSMM-P; AGHM-P; AMPM-P; HMKM-P; JKM-P; MAM-P; MM-P; MTM-P; MWQM-P; MZM-P23; NAAM-P; NM-P; NSM-P; SNMM-P; ZMM-P; NNM-P; MSM-P; QYM-P; ABM-P; DMYM-P; FBF-P; HRKM-P; NGF-P; NUHM-P; GZAM-U; HSM-P; BM-P; ARHM-P; MSSM-P; ABNM-P

⁵³⁴ AAM-P18; ABM-P; AM-270318; BAM-P; DMYM-P; HMKM-P; HSMM-P; HSSM-P070518; MAAM-P; MM-P; MTM-P; MZM-P15; NUHM-P

⁵³⁵ SNM-P; FM-P; BHM-P; HKGM-P; HM-U; MMF-P

⁵³⁶ MSSM-P; NMF-P; NSM-P; RHF-P; HSM-P; NUHM-P; AM-P18

⁵³⁷ BAKM-P; DMYM-P

⁵³⁸ DAAM-P; BAKM-P; MEWM-P; PKZM-P

⁵³⁹ MSSM-P; SNM-P; HRKM-P; DMYM-P; MAM-P; MM-P; MSSM-P; NAAM-P; AM-P18018; BM-P; HKGM-P

One other factor that structures production modality apart from orders is ‘seasonal adjustment’ which refers to a rise or fall of output level based on the time of the year. This functions as another similar approach that is reliant on a prior learning experience, providing the producer with information regarding when to increase or decrease production volume⁵⁴⁰ or when production, although continuous, will lead to additional stocks and not immediate sales⁵⁴¹. In these cases, production follows (as with order-based production) a short-term time horizon and cautionary mentality by closely observing the level of previous sales prior to allocating resources, rather than putting blind trust on open markets based on the principle of competition to bring forth the demand. Mass production and supply to the market – to “meet its own demand” – to suggest a belief in competitive markets is not observed.

8.4. Relationship with Clients

A corollary to the order-based production (and sales on *ograyi* or DP) is the establishment of a network of clients with whom the producer deals regularly. Although existence of a limited number of clients can be a symptom of the size of the market (not large enough to allow for frequent changes of clients), regular pool of clients shows, on the other hand, the structuring effects of the investors’ habitus through the AIE “trust” that, in an embodied practice, gives order to their interaction in the market with clients. This, as its outcome, functions as an adaptive strategy because, combined with order-based production, it is a coordinated guarantee of sales. As in, producers secure buyers through building a personal relationship prior to committing resources to production – with the assumption that an impersonal market would eventually bring forth the right bidder.

The pattern in data indicates that majority of producers (64 percent) maintain a regular pool of clients who are less likely to change with each round of supply⁵⁴². In others, this applies partially, i.e., part of the clients forms a regular pool to which

⁵⁴⁰ ARHM-P; HSMM-P; JM-P; NSM-P; QYM-P; SNMM-P; BM-P; AMPM-P; MSM-P; DMYM-P; FM-P; GZAM-U; HM-U; MEWM-P; MSSM-P; MMF-P189718; NUHM-P; SNMM-P; SNM-P; ZKF-P2504018

⁵⁴¹ BHM-P; BM-P; MMF-P

⁵⁴² ABM-P; AGHM-P; AM-P18; AMPM-P; ARHM-270618; BAKM-P; BM-P; DAAM-P; DMYM-P; FBF-P; FM-P; HMKM-P; JM-P; MEWM-P; MM-P; MSSM-P; MWQM-P; NAAM-P; GZAM-U; HKGM-P; HRKM-P; HSMM-PI; HSM-P; MAAM-P; MZM-P15; NGF-P; NM-P; NSM-P; NUHM-P; PKZM-P; QYM-P280818; RHF-P; ZMM-P

new clients enter and leave (or some of the regular clients too might leave)⁵⁴³ and, in a few cases, most of the clients are liable to change⁵⁴⁴ but a regular pool is nonetheless maintained. For marketing (*baazaar'yaabi*), the component of human-to-human contact in finding clients is the main method; nature of market relationship is predominantly (74.5 percent) shaped by individuals meeting⁵⁴⁵ to form an idea of each other and establish a rapport based on an impressionistic appreciation – non-verbal marketing (e.g., distributing brochures, business cards and rarely but also television advertisements) are practiced but their numbers were few⁵⁴⁶. In-person appreciation is the taken-for-granted form in the context where the technologies of impersonal relationship-building are mostly absent. For some units (16 percent) use of internet for marketing purposes, including emailing and social media, is practiced but is supplementary – they rely mainly on face to face marketing by meeting clients⁵⁴⁷. Internet use for companies that are more established holds a more significant role, but these are rare among the participants (14 percent). In any case, where a distant transaction of this kind takes place prior to face-to-face familiarization, an advance payment to the producer's bank account is sent by the client before (s)he agrees to send the requested merchandise⁵⁴⁸.

Normally, to establish the relationship with the client a "marketing representative" (*bazaar-yaab*) visits potential clients personally on several tours to negotiate and persuade them to purchase the product. Inversely, in some cases⁵⁴⁹ potential clients approach the company due to the nature of the product⁵⁵⁰ or because the producer has a well-established reputation. In addition to this form of direct marketing, another form of establishing market relationship consists of establishing a relationship with one or multiple intermediary/intermediaries or "sales outlets" (*nomayendagi*) that either sell under the company's official brand – performing as the extension of the company and representing it in practice –, or

⁵⁴³ JKM-P; MTM-P; NNM-P

⁵⁴⁴ AAM-P18; SNMM-P

⁵⁴⁵ AM-P18; AAM-P18; ABNM-P; ABM-P; AMPM-P; BAM-P; BHM-P00818; BM-P; DAAM-P; DMYM-P; FBF-P; FM-P; GZAM-U; HKGM-P; HRKM-P; HSM-P; HSMM-P; HSSM-P; JKM-P; JM-P; HMKM-P; MAAM-P; MEWM-P; MAM-P; MMF-P; MM-P; MSSM-P; MTM-P; MWQM-P; MZM-P15; NAAM-P; NSM-P030648; NUHM-P; QYM-P; SNMM-P; ZKF-P; ZMM-P; RHF-P

⁵⁴⁶ DAAM-P; FM-P; HSMM-P; MAAM-P; MAM-P; MM-P; NANM-P

⁵⁴⁷ AM-P18; BAKM-P; FM-P; GZAM-U; HSMM-P; HSSM-P; NSM-P; ZMM-P

⁵⁴⁸ BAKM-P; DAAM-P; DMYM-P; HKGM-P; JKM-P; NAAM-P; NSM-P; ZMM-P; AAM-P18

⁵⁴⁹ HSM-P; NUHM-P; BHM-P00818; AMPM-P; DAAM-P; DMYM-P; HMKM-P; JKM-P; MEWM-P; NAAM-P

⁵⁵⁰ The producer produces an important intermediate good, such as plastic bottles (HSM-P), or is the only producer of the product in the country, such as sanitary fittings (NUHM-P)

the sale outlet operates as a wholesaler independent of the producing company, working on commission⁵⁵¹. Opening a sales outlet is observed more commonly by companies with regular customers in provinces in addition to Kabul. The producer sends products directly to the provincial outlet which then sells it to the clients in the province⁵⁵².

An occasional form of connecting with random clients – those who, in the ‘economic’ sense of the term have a relationship with the producer that is characterized by the act of exchange only as against the regular pool clients who are *known* and sometimes become acquaintances or even friends – are exhibitions for “made in Afghanistan products” (*towleedaat’e mili*). These are organized by the government or some NGO in collaboration with government agencies, in which entry is paid – entry in these exhibitions as described by some participants appears to be highly competitive and is not available as a state supportive privilege to all producers. Exhibitions provide a platform for some producers to market their products and distribute their contact details⁵⁵³. In these cases, the producer-client relationship is less reliant on person-to-person rapport due to frequency of transactions that take place during an exhibition (lasting a few days) and mostly do not go beyond. This is a temporary ‘market’ in the most commonplace usage of the term. Exhibitions are frequently mentioned by female producers⁵⁵⁴ as one important way of reaching clients; it provides an opportunity that is officially and deliberately devised to provide a separate space from the social domain where the prevalent social structure; i.e., patriarchic family, relegates ‘commerce’ to male members. Within such a social context, exhibitions provide a temporary silo for women to be able to act as professional traders.

Keeping a personal-level contact with customers functions as an adaptive strategy because it permits the producer to adjust production costs in a short time by tailoring it to their sales expectations according to the already existing list of

⁵⁵¹ AMPM-P; ARHM-P; BHM-P; DAAM-P; DMYM-P; HKGM-P; HMKM-P; HSMM-P; JM-P; MSSM-P; MWQM-P; NAAM-P; NANM-P; NNM-P

⁵⁵² AMPM-P; ARHM-P; DAAM-P; HSMM-P; MWQM-P

⁵⁵³ ABNM-P (This producer’s contact details were taken in an agricultural exhibition); DAAM-P; GZAM-U; HM-U; MAM-P; FBF-P (Temporary markets for women’s producers another guaranteed way of finding clients); MZM-P23; NMF-P; RHF-P; ZKF-P (this producer’s contact details were taken in an agricultural exhibition); ZMM-P; NGF-P; SNM-P

⁵⁵⁴ It is not common to see women sellers in any other form of retail business (traditional or modern) in the context.

regular clients. A regular pool of clients, hence, is one responsive adaptation of the units in their encounter with the elements of the field. This is regulated by the AIE “trust” that is established and maintained through person-to-person meetings, familiarization and appreciation.

This mechanism, by design, is mostly non-reliant on an impersonal exchange as is often the assumption by a ‘market-based’ economy, where competitive prices function as the regulator of supply and demand and the milieu offered by the marketplace as the domain where the producer and the seller, unfamiliar to each other, are brought together at the point of a ‘free’ exchange purely by their wants – a ‘social’ tie is not involved. Most productive activities in the research operate with a regular pool of clients, mostly as a product of building a face-to-face social bond, functioning as one adaptive strategy to ensure the continuation of the investment following entry into the sector.

8.5. Conclusion

The analysis in this chapter brought the discussion on manufacturing activities in Kabul’s post-2001 context to the domain of *adaptive strategies* that have developed within and without units meant to ensure their continuation through expeditious adjustment of cost of production. To reiterate the ‘iron and hammer’ analogy, the elements of the field in a continuous process configure the strategies that are constantly shifting in detail but nonetheless correspond to stable categories of practice. The fundamental strategy that was observed among the cases was a personalistic, hands-on and personal propinquity of the investor, shaping a governance structure in a top-down hierarchy with the investor occupying the top position, often performing all the tasks of the managerial sub-units her/himself (finance, raw material procurement, production and warehousing supervision, quality control, marketing, etc.). This form of governance *ethos* is, I maintain, a close reproduction of the top-down patriarchal hierarchy of power in a family structure in the context where the authority figure wields a commanding influence (see chapter 3 section 3.5). The conditions in the context, setting the limits of possibilities for investors within which the internal and external details of the units are organized, operate as the objective “structuring structure” or field of productive activity. It is by encountering this field that the habitus’ close

reproduction of the hierarchy of family inside a production unit and the routine adaptive strategies have developed that bring about the continuation of the productive activity through expeditious cost adjustment.

In a personalistic governance structure the owner(s) of the unit supplants the authority figure in a family unit. Everyday physical attendance by the main authority figure is viewed in all the cases investigated except for four cases, whereby monitoring of every detail of the production process is exercised. This top-down hierarchy comes to bear on two important aspects of decision-making, the one regarding larger questions that can affect the scale of production, and the other regarding routine affairs of the unit. Larger questions are taken after consultation with other family members in family-owned units, with other partners in partnerships, and with subordinates in the unit in the case of single-owned units. Decisions regarding routine affairs are taken by the 'authority figure' directly with some level of operational differentiation observable in some units with relatively higher estimated financial asset value. The persons in charge of these sub-units, however, are not decision-makers and are only supplements to the main authority figure (i.e., the investor).

Delegation of decision-making authority is rarely witnessed and that too to a certain extent (the larger questions still remaining in the hands of the owner to decide on). Members of the unit, as subordinates, can wield an advisory role. They might be consulted on minor details in which they have practical knowledge (e.g., a worker operating a machine knowing which button can decrease or quicken its per unit of time output). They are, otherwise, predominantly receivers of orders in a hierarchy characterized by submission to the authority figure. The outcome of this form of governance structure is witnessed in three approaches to resource allocation that are meant to adjust volume and thereby cost of production to the sales levels in short order. These three involve the areas of labour recruitment, production modality and relationship with clients.

The feature characterising the cases in the research was their reliance on labour force as the *main* factor of production, considering that the level of sophistication of machines were not at a level where production could be handled through inter-linked automated systems except for two cases where this was relatively the case

– only relatively. Labour wages, therefore, constituted the main cost of production. Unlike purchase of raw material, which, once purchased, cannot be returned in most cases, or payments for utilities which cannot be negotiated, labour can be hired and dismissed depending on the volume of production. The ability to summarily increase or decrease labour numbers was analysed here as part of the adaptive strategy as it permits for expeditious adjustment of the cost of production. Labour precarity (i.e., temporary labour without a legal contract who is liable for dismissal at any point with no severance pay or future employee-employer commitments), arbitrary wages and arbitrary work hours were common practices among the cases. It should be pointed out that this may not represent a usual case of pre-meditated *exploitative* intention by investors because the idea of exploitation itself is a cultural product, to which the habitus of investors in Kabul is not fully exposed given the recentness of capitalist production in the context. Providing a (temporary) work opportunity for these workers was, in fact, viewed *ipso facto* by participants as a sign of their dedication to social good underlined by the communitarian norm (see chapter 6 section 6.1.3 and chapter 7 section 7.1.3 for detail).

Arbitrary pay scale was seen in the form of graded and imprecise responses regarding wages by majority of participants, from the lowest-earning worker to the highest-paid worker. And arbitrary working hours was witnessed in the imprecise responses by participants regarding the number of hours a manual, technical or administrative worker works per day. On average a worker works for 9.6 hours per day in the units investigated, ranging between 8 hours/day to 16 hours/day.

In regard to production modality, it was noted that order-based production is the main method, which is given an institutionalized ordering mechanism through the AIE “trust”. The other adaptive strategy consisted of establishing person-to-person relationship with clients, through which a regular pool of such clients is formed for whom the production takes place most often. The governance structure and the three adaptive strategies are structuring effects of investor habitus in its encounter with the elements of the production field; investors in the context adopt a ‘prudential’ day-to-day approach for allocating their resources on production to adjust costs with gradual or drastic changes in any element of the field. This is

underpinned by the ethos of treating personal wealth as sacrosanct, as a product of 'divine good will'.

Moreover, the role by impersonal market information in such a resource allocation strategy is, in majority of the cases, not relevant as an explanatory element, given that investors establish face-to-face personal relationships with clients as a form of reassurance of future purchase. They, in effect, *coordinate* resource allocation through a deliberate process both inside the unit and outside with clients, than following a spontaneous mechanism called 'markets.

It is building on the above analysis that the QPS 'bureaucratic governance' and 'impersonal exchange' have been developed as two other indicators showing that this sector is structurally insignificant. Trends pointing toward division of labour in the bureaucracy of the units can be witnessed, particularly with rising productive activity and volume of production (reflected in the estimated net value of assets by investors). In other words, size of the productive activity does begin to require the establishment of sub-units that are in-charge of particular tasks. But this trend is not significant among the cases investigated – in only four units a superintendent wielded decision-making power regarding routine affairs of the unit. On the other hand, the tendency for impersonal markets as a sign of moving away from order-based exchange has been witnessed – often in conjunction with order-based exchange practices – in rare cases where the producer has a monopoly on producing a good or produces consumer products for which striking purchase agreements would be time-consuming. As a general trend among the cases, the relationship with clients is based on personal familiarization and recognition (also needed for subsequent sales on *ograyi* and DP).

Chapter 9. Conclusion

9.1. General Analysis

The thesis analysis followed a two-pronged approach. Firstly, it gauged and explained the socially contingent practical knowledge of manufacturing – structured by AIEs embedded in habitus – that has induced the investment decision in this sector in Kabul during 2002-2018, followed by an explanation of the adaptive strategies for enterprise continuation based on routine encounter with the salient elements of the field. Secondly and derived from the findings of the above analysis, deductive observations were made regarding emergent signs within the sector that suggest whether the sector has begun to retain some level of significance in how economic resources are allocated in the economy during the study period (this thematic sequence corresponded to the sequence of the three RQs – see chapter 1, section 1.1.).

The review in chapter 2 narrowed the theoretical discussion down to the core principles of NIE as the main theoretical articulation of EEA, expounding the ontological viewpoint common in this tradition; viz., the presupposition of a universal ‘ersatz’ human as its unit of analysis. It was shown that NIE views humans as ‘calculative’ agents whose productive resource allocation is assumed to be driven by the interest to maximize their ‘pay-offs’ (North, 2005) based on ‘market prices’ as the informational signal (Williamson, 2000). This epistemology, we saw, limits the approach in the study of institutions to those that lie in the environment of individual humans, which unwittingly deprives it of the embodied institutions of habitus that rest in empirical human agents, and are transmitted/acted upon through social structures. Notwithstanding the espousal of ‘bounded rationality’ in NIE in an attempt to moderate the absolutistic notion of the instrumental ‘rationality’ underlying the theoretical models in mainstream ‘rational choice economics’, the epistemology in NIE nevertheless results in taking human interest as *pre-given* in actual research, which the term ‘ersatz human’ encapsulated as a semantic/methodological signpost throughout the thesis.

The pre-given ersatz rationality substitutes for *empirical* human, the former thought of as not fully but merely boundedly self-interested utility maximiser in line with Simon (1955). The thinking in NIE is primarily led by a conception of

institutions in the form of 'formal' rules (admittedly residing outside the individual in objective form), defining it as human-made constraints. These environmental 'constraints' are then studied in their objective form as represented by laws and regulations which, placed within a spectrum of permissive-prohibitive dichotomy, considers their effect on the *a priori* 'ersatz' human's self-interestedness as the predominant form of economic motivation.

In chapter 2 section 2.2. we saw regarding the history of the concept of *enabling environment* that it has been conceptualized as an 'institutionalist' extension of the previous 'Washington Consensus' program, advocacy for it having proliferated from the early 1990s onwards as observed in the World Bank reports, policy and discussion papers. Formulated mostly regarding the significance of state legal and regulatory framework as the most important elements of the 'environment' of an economy, this policy line requires these elements to be rendered conducive through 'good governance' so to enhance the possibility of 'ersatz' human productive activity in a strategy of market-based allocation. Chapter 4 showed that the project of rebuilding in post-2001 Afghanistan has followed the EEA approach, demonstrating its exogenous formulation and implementation in view of the state-institutional void of the post-Taliban juncture and the plan to remodel the country's political economy; the project informed by a push to establish representative democracy with market-led economy, abiding by the principle of 'non-intervention' in resource allocation.

To problematize the subject-area in this research, the thesis methodology proposed an epistemology that requires, to the contrary, taking account of the 'empirical human' whose institutionalized normative practices, which I called 'implicit institutions' in the thesis, are often in embodied form and not distinguishable from their routine acts, including those that are seen to have led to the decision to invest in manufacturing sector in the study context, Kabul. The thesis' fundamental point is to take 'implicit institutions' and the milieu where they reside; that is, the empirical individual and her/his interest as part of her/his lived experience used in the study as the point of departure, the data available on this *a posteriori* and mostly after a good level of data collection regarding the dispositional attributes of habitus in the context.

In chapter 3, the thesis worked out an institutionalist theoretical framework through a critical review of the concept of 'institution' in NIE (partly also in OIE), conducting this theoretical exercise with the help of heuristic concepts of habitus, field and the forms of 'capital' ('economic', 'social', 'cultural/informational', 'symbolic'). Adopting a Bourdieusian lens necessitated a discussion of the 'mega-structure' patriarchic family as a primal "structuring structure" (*a la* Bourdieu) whence originates most of the formative knowledge that structures individual habitus in Kabul's context. This structuring process, in the context of Kabul, was explained within a dialectical relationship with Islamic precepts articulated as injunctions in the Quran, Islam's highest catechistic textual authority. Through this exercise I sought to develop the micro-analytical tools in this relationship (family and religious ideology), calling it active institutional elements (AIEs) to refer to the fact of them being *active* in the circumstances relevant to this research – the decision-making for entry into manufacturing sector and the subsequent continuation of the enterprise.

The analysis in chapter 6 read patterns in the micro-level data suggesting that the practical knowledge of manufacturing as a professional possibility is structured by the investor's lived experience and prior experiential exposure as part of their life-history. Habitus' structuring effect in these cases is, therefore, by design tied to lived experience – the modality of studying their concern for 'utility maximization' can be read through such a lens. The conditioning effects of habitus is seen in both the source of the initial capital and subsequent access to credit; viz, habitus' effects in compliance of Sharia law regarding the forbiddance of "usury" is seen to have rendered the practice of credit from sources other than personal wealth, family and social relations as rare and uncommon among participants. The investment decision is shaped most notably by obeisance of the authority figure in the family, emulation of her/his profession or perpetuation of the familial professional heritage. Combined with this AIE but also separately in some cases, social relation is observed as a conduit of transmitting the practical knowledge of manufacturing between the investor and a known person (friend, relative, colleague, acquaintance, etc.), functioning as an institutionalized social capital that operates as a non-pecuniary, non-committal and non-reciprocal information transmission mechanism (in some cases acting as a persuasive factor on top of information transmission). This information, subsequently, has either directly influenced the decision-making process to enter secondary sector or has provided

significant input that has shaped this act indirectly. Finally, commitment to a unitary notion of homeland and its people, is retrospectively viewed by majority of investors as another structuring effect that has induced their investment decision.

The simultaneity of participants' 'reasons' for the initial investment decision, mentioned at different points in the interview, also revealed a decision-making process by which objective and subjective inducement factors were intertwined. In majority of the cases, the participants' *interestedness* was combined of the objective interest of earning a livelihood and a subjective aspiration that tended to view a link between production and such norms as fulfilling a responsibility toward the "homeland" and the community. This is the symbolic capital that accrues to the participant by disguising what is, in purpose and appearance, the domain of the material (manufacturing), showing that accumulating symbolic capital and concern for its preservation happens parallel to and as an integral part of accumulating 'economic' capital.

In chapter 7, where I constructed the 'field of manufacturing' as a social 'microcosm', it was explained that as a physical attribute of the sector, and due to the continuous presence of the structuring effects of habitus, the investors to a large extent are bound to the production unit in a way that limits the choice to re-allocate to other industries within the sector or to exit the sector entirely. The field elements included asset specificity which denotes the feature of machines that makes their reselling (in the event of re-allocation or exit) as comparatively more costly (in the form of lost value) than remaining in the sector in some form. The second element was sales on *ograyi* or DP sales, that was observed in the majority of the cases to generate social capital, entwining the producer with her/his many clients in a sales relationship that becomes relatively permanent based on past dues – leaving the sector or re-allocating entailing the strong likelihood of losing past dues and social capital for the producer. The third element was immaterial, i.e., social status as a cultural capital which is dependent in its objective basis for its preservation on the maintenance of the productive activity. Moving assets or exiting the sector threatening the stable basis of preserving this status for which being an investor or producer provides the tangible objective reality and justification. The other immaterial element in the field is symbolic capital that is accrued by perceiving a close link between production *as such* as a service to the

community and the 'homeland'. Majority of investors saw their work as more than merely earning a profit, and in the form of an 'emotional' investment by interlinking the productive activity, in a symbolic sense, to a larger cause. Not opting to re-allocate or exit is therefore partly due to concerns for preserving this symbolic capital.

In section two of the same chapter, the two macro-level field elements were constructed that corresponded to the two political economy determinants discussed in chapter 1; namely, susceptibility to security conditions (as an effect of the ongoing militant insurgency or determinant '1'), government role in productive activities and national and international competition (as direct outcomes of the market-oriented EEA or determinant '2'). The effects of these two elements were recognized by participants as "challenges" (*janjaal* or *moshkelaat*), their salience as field elements determined due to their recurrent mention by the producers as relevant to their activities.

These elements combined set the limits of possibilities for investors within which the internal and external details of the units are organized, operating as the objective "structuring structure" (see Bourdieu) or field of productive activity. It is by encountering this field that the investors' habitus has developed 'adaptive strategies' to ensure enterprise continuation. These strategies serve, foremost, the main purpose of adjusting cost of production in relatively short order. The strategies demonstrated a *general orientation* that is continuously (re)adjusted to the elements of the field, constantly shifting in detail but nonetheless corresponding to stable categories of practice. The fundamental category that was observed among the cases was a personalistic hands-on governance structure based on a top-down hierarchy with the investor occupying the top position. This form of governance ethos is patterned along the top-down patriarchal hierarchy of power in a family structure in Kabul, where the authority figure wields an institutionalized influence often through (in)direct command. Details of the production process is personally managed and dictated by the 'authority figure' (the owner who in this context supplants the authority figure in the family) through every day physical propinquity – witnessed in all the cases investigated except for three. This top-down hierarchy comes to bear on two important aspects of decision-making, the one regarding larger questions that can affect the scale of

production, the other regarding routine affairs of the unit. Decisions on larger questions rests with the authority figure. Decisions on routine affairs are taken by her/him directly with some level of delegation, permitting arbitrary forms of operational differentiation that are observed in some units with relatively higher estimated financial asset value.

Delegation is seen in members of the unit, as subordinates, wielding a consultative role regarding practical details in which they are adept. They are, otherwise, predominantly receivers of orders within the top-down hierarchy. This means, the persons in charge of sub-units, if any, are not decision-makers and only non-bureaucratic supplements to the main authority figure. The outcome of this form of governance structure is witnessed in three approaches to resource allocation that are meant to adjust volume and thereby cost of production to the sales levels relatively rapidly. These three consist of labour recruitment, production modality (order-based or pre-order production) and relationship with clients.

The cases in the research are majority dependent on labour force as the *main* factor, owing to the level of technical sophistication of machines with minimal to no inter-linked automated systems except for two cases where this was relatively the case. Labour wages, therefore, constituted the main cost of production and the ability to summarily increase or decrease labour numbers formed part of the adaptive strategy, as it permits for adjusting the cost of production in a short time. Labour precarity, arbitrary wages and arbitrary work hours were common practices among the cases. Arbitrary pay scale was seen in the form of graded and imprecise responses regarding wages by majority of participants, from the lowest-earning worker to the highest-paid worker. And arbitrary working hours was witnessed in the imprecise responses by participants regarding the number of hours a manual, technical or administrative worker works per day. On average a labourer works for 9.6 hours per day in the units investigated, ranging between 8 hours/day to 16 hours/day.

Regarding production modality, it was noted that order-based production is the main method coupled with the third adaptive strategy in the form of establishing personal relationship with clients, through which a regular pool of such clients is formed for whom the production takes place most often, its volume reduced

relatively rapidly when such orders are reduced. The role by impersonal market information in order-based resource allocation strategy was seen as non-relevant in majority of the cases, given that investors establish face-to-face personal relationships with clients as a form of reassurance of future purchase. They *coordinate* resource allocation through deliberation both inside the unit and outside with clients.

In majority of the cases, investor habitus is seen to transmit and reproduce social structures, the predominant extant form of 'mega structure' – in this case a top-down hierarchy most closely aligned with a patriarchal family. The governance structure in overwhelming majority of the cases is patterned, in a relatively homologous way, with a top-down hierarchy in the patriarchal family as found in the context. Although the income and wealth disparity of such a structural reproduction might not be at the forefront of the form of inequality this leads to in Kabul, it nonetheless puts economic development on a path that is at present marked by growing social stratification, possibly leading to more egregious wealth-based distinctions in future. For its material and social outcome as criteria laid out in assessing manufacturing activities in Kabul during 2002-2018 in chapter 1 section 1.2., the thesis therefore argues that *within a market-oriented EEA policy, habitus' structuring effects in Kabul (2002-2018) has resulted in a structurally non-significant manufacturing sector that socially functions as a mechanism for reproducing the hierarchy of power in a patriarchal family within the field of production.*

9.2. Four QPSs

The thesis applied an institutionalist framework by adapting the Bourdieusian framework, the thesis epistemology counterposed to the epistemological assumptions that inform EEA's approach. The analysis regarded the field empirical data as a reflection in tangible objective terms of EEA's practice; the main research strategy followed in the thesis to demonstrate the effects on manufacturing of EEA's adoption as a policy framework. This examination from the outset excluded macro-level statistics regarding the role of manufacturing sector in Kabul's economy (or Afghanistan's). This was because the sector's size remains marginal by such measures, as was discussed in chapter 1 section 1.2.1.

The analysis, however, sought to locate a few structural proxies as *indications* or *tendencies* pointing toward the significance of this sector as an 'organ' in the economic 'anatomy' of Kabul. For this purpose, four *qualitative proxies of significance* were in combination applied to deduce these suggestive emerging tendencies owing to a growth in size, including: a) horizontal mobility of capital, b) inter-sectoral vertical expansion, c) impersonal exchange, and c) bureaucratic governance.

The structuring effects of habitus in transmitting the practical knowledge of manufacturing has come to bear on the QPS 'horizontal mobility of capital' related to the inflow of external capital into secondary sector. Manufacturing as an objective professional possibility has not become significant enough in the context to attract external sources of even Shari-compliant credit. Hence, related to the inflow of capital as an aspect of QPS the sector does not show trends indicating a structurally significant sector in the economy; i.e., it is not a determinant for economic resource allocation beyond those who are already engaged in it or have been personally exposed to it through their life-history. Meanwhile, regarding the other component of this QPS, once entering the sector, investment capital retains a 'sunk' quality which makes it difficult to retrieve it for re-allocation for another investment within the sector or industry, or for withdrawing it entirely to invest somewhere else. As such, its mobility is reduced significantly. As per the two criteria of this QPS, mobility of capital into and within the sector is therefore limited and constrained by the physical attributes of this sector.

Related to QPS 'inter-sectoral vertical expansion', the sector does not show signs of having retained structurally significant importance in the economy. As structured by habitus' practical knowledge, the observance of the *emerging* possibilities for deciding where to invest; i.e., the tendency to take advantage of backward and forward linkages, is less common among the cases (it almost does not exist apart from one case which was established expressly to produce intermediate goods for use in other industries). As the data on access to raw material indicates, majority of manufacturing units source their raw material or technically sophisticated components (e.g., chemical additions) from outside or purchase them from importers.

Concerning QPS 'bureaucratic governance' and 'impersonal exchange', they are not witnessed beyond a limited scale. Trends pointing toward division of labour in the bureaucracy of the units can be witnessed, particularly with rising productive activity and volume of production (reflected in the estimated net value of assets by investors); i.e., size of the productive activity does begin to require the establishment of sub-units that are in-charge of particular tasks. But this trend is not significant among the cases investigated – in only four units a super-intendent other than the investor her/himself wielded decision-making power regarding routine affairs of the unit while decision-making on larger questions of scale remains mostly with the authority figure. On the other hand, the tendency for impersonal markets as a sign of moving away from order-based exchange has been rarely witnessed among the cases, that too often in conjunction with order-based exchange practices. In these rare cases, the producer has a monopoly on producing a good or produces consumer products for which order-based purchase agreements for each separate sale would be time-consuming. As a general trend among the cases, the relationship with clients is based on personal familiarization and recognition (also needed for subsequent sales on *ograyi* and DP).

In summary, related to the QPs, there is minimal horizontal mobility of capital, almost no vertical expansion and inter-industry specialization, high presence of personalistic top-down governance, and order-based production coupled with personalistic cliental network.

9.3. Contribution to Development Policy

It is seen that adopting a 'non-intervention' EEA does not, as a logical consequence and tangible outcome, lead to entry into manufacturing sector of 'calculative' individuals by being simply driven by market prices; and that, the practical knowledge of this profession is transmitted in a much more gradual process tied to the empirical individual's lived experience in Kabul's context. The knowledge of manufacturing being available and serviceable to individuals through the workings of their habitus, an exposure to this professional possibility (i.e., life chance) based on an internalization of the knowledge of its *availability* constituting an integral part of their lived experience.

This line of argument in the thesis has the implication that this knowledge is limited in the context in view of manufacturing sector's recentness as a sector – as an 'organ' in the economic 'anatomy' that is traditionally characterized by subsistence farming. The evidence therefore suggests that the inflow of private capital into manufacturing activities is induced by knowledge that by nature is *exclusive*. A limited number having had the lived experience that has exposed them to this profession in a context where manufacturing among traditionally available 'life-chances' was (and remains) in an incipient stage. As Bourdieu states regarding the concept of habitus, it functions as "an acquired system of generative schemes objectively adjusted to the particular conditions in which it is constituted", which, when meeting life-chances in subsequent practice, "engenders all the thoughts, all the perceptions, and all the actions consistent with those conditions, and no others" (Bourdieu 1977, p. 95). This *reproductive yet adaptive* efficacy of habitus functions as such that professional aspirations that are internalized as objective limits of possibilities, hopes, desires, plans, etc., are then *externalized* (they are manifested in action). The implication for development of a sector (in this case manufacturing) owing to habitus' structuring effect concerning a profession as a life-chance that is rare or practically non-existent, is that only a limited number of individuals (if at all) are exposed to the practical knowledge of it due to exposure to it during their early childhood or subsequent secondary socialization. A market-oriented policy of non-intervention with the assumption that 'private individuals will take care of the rest' is seen to have confined the development of manufacturing within the boundaries of the knowledge of the limited number of individuals in Kabul judging by the cases, and the resources available to them.

Moreover, the effects of import/export trade as a common profession – as an available life-chance accessible and serviceable to individual habitus due to its much longer history –, can be witnessed qualitatively even in regard to manufacturing activities. Among the cases investigated, the complexity of the procedures for value-addition (the number of steps raw material goes through to result in an end product) involves one step in most cases on imported raw material before packaging. This way, manufacturing sector essentially functions as an extension of the much larger and more significant import sector, most visible in regard to cases who previously produced abroad or imported the same

commodity. Technologically and chemically complex procedures on raw material take place outside Afghanistan and such capacity has not developed domestically.

The word for import/export trade and profit-seeking economic activity in general is the same in the context: “*tojarat*” (business). This shows that import/export (mostly import) business shapes the prevalent social knowledge of all “trades”. This itself is a symbolic classification revealing the objective range of ‘profitable’ professional possibilities that has traditionally been available in Kabul and that structures individual habitus. Manufacturing as a nascent sector is one form of “trade” (*tojarat*), a peripheral and an add-on to the import/export’s significant profitable realm. To transform this balance, there is need for a conscious ‘pedagogic action’ (*a la* Bourdieu) to *practically* propagate the knowledge of manufacturing sector beyond the knowledge confines restricted to the individuals whose arbitrary life-chances have exposed them to the practical knowledge of this sector. This will require bureaucratic ‘planning’ by the state to transfer knowledge regarding this sector’s development from other places and past experiences and adapt it to the context as one mitigation strategy against the limitation in knowledge of this sector.

Some level of clearly devised guidelines and communication strategy for indicating key industries as targets of time-bound concerted supportive effort for industrial promotion can be instrumental toward this end (see Chang, 1996 for elaboration on ‘industrial policy’ and Sueng-Hun, 2018 for an application of such a policy in post-conflict South Korean economy during the latter half of the 20th century). Even more decisively, channelling financial credit toward this sector can lessen the constraints that practice of *ograyi* and DP sales is seen to generate for producers in the form of circulating capital shortage.

It is worth pointing out that there may be legitimate doubts as to adopting an ‘intervention’ framework owing to the potential and actual inadequacies in Afghanistan’s state-institutional capacity. These, however, are to be attributed to this apparatus being consigned to an ‘external’ role by EEA’s ‘non-intervention’ framework, and as provider of public goods¹ only. This is when the latter task has also been undermined by the effects of ongoing conflict (determinant ‘1’). Given

¹ Goods whose use is non-excludable, non-rivalrous and in terms of property rights, is accepted as such; such as security.

this, by cancelling the possibility of 'intervention' and due to inadequate public goods provision by the state owing to the conflict, the country's economy has perforce attained a truly *laissez-faire* character (in a literal sense), where most areas related to production is left to private investors to handle, from whom the state demands taxes upon first reported earnings, acting as a formidable hindrance as a result.

Judging the (un)suitability of a degree of state's coordinating intervention as a resource allocative regime during 2002-2018 based on the present state-institutional capacity would be, on the other hand, to judge it based on the effects of the function it was *not* given under EEA. As in, it would be assessing its capabilities not based on what it could be if an 'intervention' policy was adopted but based on how it currently exists on the basis of what EEA policy did not on principle condone in relation to resource allocation. To use an analogy, it is akin to assessing an individual's climbing capability when they have been told to live on plane land. As suggested by Chang (1996, introduction), countries are not equipped with institutional capability from the start and the role of 'learning-by-doing' is crucial for the development of these capabilities.

Finally, in economic domains where prices as recurring 'signals' have yet to develop – accounting also for the gradual emergence of institutions that underpin such a 'signal' –, an investor by her/himself is endowed with the vantage point as a decisor of resource use (or its scarcity) in much the same way as a government bureaucrat in-charge of industrial sector. They are both deprived of the larger trends in that domain that is transmitted by 'price' information while the latter, on minimum, has access to official data by virtue of the nature of her/his profession. When prices are off the picture, an investor is likely to rely on socially contingent practical knowledge as the main source for deciding where to allocate personal economic resources (as was witnessed in the thesis). Hence, the 'efficiency' (in a material sense only) expected by individual entrepreneurial knowledge in a Hayekian sense is far from being realizable in these circumstances.

As a generalizable heuristic point derived from Bourdieusian framework, I propose that wherever habitus is unlikely to have been exposed to manufacturing through an objective lived experience (the simple cues for this can be provided by the

history of the context's political economy), bureaucratic intervention is required to adjust resource allocation to this social reality, with an eye for the development of manufacturing as part of an economic growth strategy. The nature of such an intervention, whether informational or material (or a combination of both), direct or indirect, can be a topic of future empirical investigation. Such an intervention does not imply a direct influencing of 'implicit' embodied institutions but merely adjusts policy to the expected limitations they might bring about with respect to a particular growth strategy.

9.4. A Methodological Note

The epistemology underlying EEA presupposes a universal rational faculty toward which economic activity is thought to converge, one likely outcome of it being the notion of 'optimal' allocation and, in a Smithian conception, general social prosperity. As was shown, this *a priori* assumption in method can lead to theoretical and policy formulations that are well off-the-mark with how allocation takes place in real, at least in a context like Kabul. Investor habitus, rooted in social structures, structures the way available means are allocated which is mediated by the elements in the field, which subsequently comes to bear on these resources' current use and availability for future (re)application should social well-being deem it necessary. The study warrants a fundamental re-assessment of methodological point of departure in the study of individual decision to allocate available resources; namely, taking the combined issues of habitus, field and the institutionalized practices of habitus, including the non-material forms of capital, as significant explanatory elements and as part of a single framework summarized in Bourdieu's formulation: [(habitus)(capital)] +field= practice (Bourdieu 1984, p. 101).

This epistemology does not dismiss 'interest' (even self-interest understood as utility-maximization) as a motivation behind social practice. But re-directs the lens from pre-given notions (e.g., rational choice theory) to empirical investigation and the search for *a posteriori* data regarding the dispositions embedded in individual rationality that defines this interest, whose outer display is seen in social practice. Making it incumbent on the researcher to discover the 'underlying mechanism' (objective social structures rendered as subjective disposition, or habitus) through

a retroductive epistemology that generate apparently perceptible representations of individual interest and what it entails in social practice.

This epistemology also permits for having a relatively context-sensitive pre-fieldwork mindset for devising policy. The policymaking process can benefit from secondary data in a provisional stage by using a Bourdieusian framework to map out the structuring effects of habitus, prior to supplementing this partial picture with *a posteriori* data when conditions for data collection become favorable.

9.5. Areas for Future Research

1. How a policy of 'intervention' in resource allocation should look like in concrete detail in a context like Kabul is one area for future research. The nature of such intervention, whether informational or material (or a combination of both), direct or indirect, only by the state or a combination of state and NGOs, can be studied in relation to particular industries. As alluded in section 9.3. in this chapter, study of devising a context-adapted guideline and communication strategy by the state for indicating key industries as targets of time-bound concerted supportive effort for industrial promotion, and the study of ways to channel financial credit toward this sector to lessen the constraints that practice of *ograyi* and DP sales is seen to generate for producers in the form of circulating capital shortage, can be the two concrete areas for future research. Moreover, more study is needed concerning such an intervention and how it can target the social effects that have obtained in the manufacturing sector in Kabul in the form of reproducing the patriarchal hierarchy of power, for which the legal form that distinguishes the right-obligations structure that determines, among others, rules governing corporate governance, constitutes an important area for future research.

2. Researching a 'threshold' in Kabul's political economy where the exposure of habitus to 'market prices' becomes relatively ubiquitous, the quantitative and qualitative measures to determine this threshold, as well as its effect on resource allocation is another area of future research. This can be done in conditions present in Kabul (and Afghanistan in general) more suitably which is at a point where the socially contingent knowledge other than market prices remain predominant, as was shown in the thesis, for determining resource allocation, but

it is also subject to what can mostly be considered a political project to move toward a state where the range of efficacy of market prices as a determining factor for resource allocation is, in principle, meant to grow. The study of the evolution of the latter process can be a valuable contribution to economic history, as well as its implication in terms of social and material development.

3. Considering the utility of the 'mega-structure' family unit for the thesis and for the application of a Bourdieusian framework in Kabul, longitudinal and cross-sectional investigation of this social structure in Kabul (and Afghanistan) can illuminate the intricacies of the process of habitus' formation in a relatively comprehensive form than the provisional one relied on in the thesis. The study of this social structure constitutes another important area for future research.

Appendices

Table 3 - ACBR-IP Registrations According to Sector

Area of Business Activity	Number of Licenses Issued in Post-2001 Period
Trade	61080
Transit	2832
Services	5342
Construction	27935
Manufacturing	5646
Transportation and Storage	7938
Professional, scientific and technical activities	2454
Public administration and defence; compulsory social security	65
Administrative and support service activities	425
Wholesale and retail trade; repair of motor vehicles and motorcycles	45
Water supply; sewerage, waste management and remediation activities	223
Electricity, gas, steam and air conditioning supply	353
Education	713
Accommodation and food service activities	74
Agriculture	185
Mining	252
Petroleum	125
Transport	153
Health	173
Cooperative	91
Finance	16
Arts, entertainment and recreation	31
Information and Communication Technology	134
Real estate activities	6
Other	1832
Total	118608

Source: ACBR-IP data as of March 13, 2018

Table 4 - ACBR-IP Registration According to Sector (Kabul)

Area of Business Activity	Number of Licenses Issued in Post-2001 Period
Trade	27920
Transit	2302
Services	3104
Construction	16007
Manufacturing	2250
Transportation and Storage	5698
Professional, scientific and technical activities	2075
Public administration and defence; compulsory social security	51
Administrative and support service activities	348
Wholesale and retail trade; repair of motor vehicles and motorcycles	25
Water supply; sewerage, waste management and remediation activities	188
Electricity, gas, steam and air conditioning supply	198
Education	351
Accommodation and food service activities	59
Agriculture	37
Mining	171
Petroleum	110
Transport	112
Health	66
Cooperative	45
Finance	14
Arts, entertainment and recreation	27
Information and Communication Technology	99
Real estate activities	6
Other	1278

Source: ACBR-IP data as of March 13, 2018

Table 5 - Nodes for Thematic Analysis

Working conditions - type of machines	Social status affiliation of the investor	National or Kabul market	Initial capital, ownership structure and access to credit
Type of manufacture	Scale corresponding to market uncertainty	Pricing policy	Reasons for investment continuation
Transaction type - <i>ograyi</i> or cash	Re-investment as a sign of hope or struggle	Mention of afghani vs dollar	Government industrial policy
Tracing the initial reasons for investment	Rehearsed response	Marketing method and client relationship	First steps of setting up
Collective action	Challenges & opportunities	Backward and forward linkage	Financial dependency
Technical language	Divine good will	Market share and competition	Current value of investment and production capacity
Structures of economic governance	Production-related services	Labor and its costs	Community pay-back
Stats	Production modality - pre- and post-order production	Interviewee designation	Certification and technical knowledge

Table 6 - Interviewee Classificatory Details

Interviewee/ Classificatory details	Gender	No. Workers	Type of Product	Migration Experience	Length of Work	Current Value of Investment (est.)	Age	Location (in respect of IPs ¹)
AAM-P	M	10-20	Panel Boards	Iran	6yrs	\$1m-\$2m	35-40	In
ABNM-P	M	5	Food (Spices)	ND ²	1yr>	\$5k-\$6k	20-25	Out
ABM-P	M	20-50	Food (Wheat Flour)	Pakistan	8yrs	\$3m	30-35	In
AGHM-P	M	150-160	IMIR ³	None	3yrs.	\$5m	35-40	In
AMPM-P	M	70-75	Pharmaceutical	None	15yrs	\$4m	45-50	Out
AM-P18	M	10	Detergent	None	6yrs	\$35k-\$40k	30-35	Out
AM-P27	M	No longer employing	Cement Poles	Iran	4-5yrs	\$70k-\$75k	30-35	Out
ARHM-P	M	300-350	Soft Drink	USA	12yrs	\$15m-\$20m (initial investment)	60<	In
BAKM-P	M	60	PVC Pipe	None	7-8yrs	\$500k-\$1m	30-35	In
BAM-P	M	100-110	Panel Board	Iran	10yrs	\$2.5m	35-40	In
BHM-P	M	20-25	Electrical Wire	Iran	12yrs	\$5m-\$6m	45-50	In
BM-P	M	20-25	Plastic Footwear	None	Unknown, (Grandfather's business)	Unknown	30-35	In
DAAM-P	M	85	Printing Press	ND ⁴	12yrs	\$1.5m	45-50	In
DMYM-P	M	50-100	PVC Pipe	Pakistan	24yrs (first 19yrs in Pakistan)	\$1.5m	50-55	In

¹ Industrial Park

² Not distinguishable (not observed as significant for generating the incentive for investment)

³ Iron Melting and Iron Rod Production

⁴ In this case, the migration experience (in Pakistan) mattered to the extent of providing the social environment in which the initial steps of the business were conceived but not particularly as a *learning* process underlying the initial motive for production.

Interviewee/ Classificatory details	Gender	No. Workers	Type of Product	Migration Experience	Length of Work	Current Value of Investment (est.)	Age	Location (in respect of IPs)
GZAM-U	M	30-40	Food (dairy products)	None	12yrs	\$500k-\$1m	50-55	Out
HKGM-P	M	20-30	Tissue Paper	None	3yrs	\$500k	30-35	In
HMKM-P	M	40-45	Gas Cylinder	Pakistan	35yrs (first 21yrs in Pakistan)	\$100k-\$150k	55-60	In
HM-U ⁵	M	N/A (Union of 34 Honey producers)	Food (honey)	None	1yr	Unknown	55-60	Out
HRKM-P	M	20-25	Plasticware	None	5-6yrs	<\$50k	60-65	In
HSM-M-P	M	25-26	PVC Pipe	Pakistan	3yrs.	\$500-\$1m	55-60	In
HSM-P	M	45-50	Plastic Bottles and Containers	Pakistan	13-14yrs	\$3.5m-\$4m	55-60	In
HSSM-P	M	20-25	Panel Boards	None	16yrs	\$1m-\$1.5m	50-55	In
JKM-P	M	25	Electrical wire	Pakistan	14yrs (first 12yrs in Pakistan)	\$200k-\$250k	45-50	In
JM-P	M	75	Food (cooking oil)	ND	14yrs	\$14m	Unknown ⁶	In
MAAM-P	M	40-45	Panel Board and Cement Poles	Iran	14yrs	\$1-\$1.5m	40-45	In (JM ⁷)
MAM-P	M	10	Jewellery	None	6yrs	\$10k	25-30	Out
MEWM-P	M	150-155	IMIR	Pakistan	1yr	\$4m	30-35	In

⁵ Outlier case: The association is in North-eastern Baghlan province, but the main sales office is in Kabul

⁶ Interview was taken with the sales manager and not the investor

⁷ Jumma Mohammad Mohammadi Industrial Park (there are two industrial parks in Kabul – the main one, I have mentioned simply as IP)

Interviewee/ Classifier y details	Gender	No. Workers	Type of Product	Migration Experience	Length of Work	Current Value of Investment (est.)	Age	Location (in respect of IPs)
MMF-P	F	10	Food (jam and pickles)	None	1yr>	\$10k>	20- 25	Out
MM-P	M	25-30	Cement Pole	None	5-6yrs	\$500k-\$1m	30- 35	In
MMSM-P	M	10>	Food (Dry Fruit processin g)	ND	1yr>	N/A ⁸	35- 40	N/A
MSSM-P	M	106 (47 direct workers, remainin g marketin g)	Detergent	Iran	6yrs	\$4m	Unk now n ⁹	In
MTM-P	M	12	Printing press	ND	18yrs	\$700k	40- 45	In (JM)
MWQM-P	M	14	Detergent	None	10yrs	\$1m	55- 60	In
MZM-P15	M	10	Printing Press	None	4yrs	\$80k-\$100k	30- 35	Out
MZM-P23	M	10	Food (Dairy products)	None	7-8yrs	\$50k	40- 45	Out
NAAM-P	M	36	Detergent	Iran	10yrs	\$1.2m	65- 70	In (JM)
MMF-P	F	10	Food (jam and pickles)	None	1yr>	\$10k>	20- 25	Out
NANM-P	M	150	Hygiene Products	None	1-2yrs	\$2m	40- 45	In
NGF-P	F	20	Handicraft	None	17yrs	\$5k>	50- 55	Out
NMF-P	F	6	Oatmeal	KSA	5yrs	\$2.7k-\$4k	40- 45	Out
NNM-P	M	450	IMIR	ND	2yrs	\$40m	40- 45	In
FBF-P	F	78	Handicraft	None	1yr>	\$10k>	30- 35	Out
FM-P	M	50	Hygiene products	None	1-2yrs	\$2m	30- 35	In

⁸ Production infrastructure not yet procured and set up

⁹ Interview with sales manager

Interviewee/ Classificatory details	Gender	No. Workers	Type of Product	Migration Experience	Length of Work	Current Value of Investment (est.)	Age	Location (in respect of IPs)
NM-P	M	20	Panel Board	Iran	15yrs	\$200k- \$250k	40- 45	Out
NSM-P	M	35	Plastic (Plastic sheets and bags)	Iran	12yrs	\$2m	40- 45	In
NUHM-P ¹⁰	M	270 (250 in one unit)	Sanitary System and Plasticware	ND	5yrs (plasticware) 1-2yrs (sanitary system)	\$5m (sanitary system)	40- 45	In – In (JM, plasticware)
PKZM-P	M	330-340	IMIR	ND	9yrs	\$8m	50- 55	In
QYM-P ¹¹	M	15	Plasticware	Pakistan ¹²	9yrs (plasticware)	\$100k- \$110k	55- 60	In (JM)
RHF-P	F	7	Food (jam and pickles)	None	1-2yrs	\$50k	30- 40	Out
SNMM-P	M	15-20	Detergent	Iran	4yrs	\$62k	40- 45	Out
SNM-P ¹³	M	20-25	Food (honey)	None	3yrs	\$40k	30- 35	Out
ZKF-P ¹⁴	F	10	Food (tomato paste, jam, pickles)	Iran	10yrs	\$100k	45- 55	Out
ZMM-P ¹⁵	M	140	IMIR	Pakistan	2yrs	\$3m	30- 35	In

¹⁰ The interviewee owns two companies, both in Industrial Parks but in different ones, one producing Sanitary fittings, tab, and pipes (Sanitary system), the other producing plasticware

¹¹ The interviewee has another production firm specializing in salt production which is currently inactive – both located in the same IP (Jumma Mohammad Mohammadi)

¹² The interviewee learned and brought the experience of producing salt from Pakistan to Afghanistan but now specializes in plasticware production

Table 7 - Draw-down of Work Hours

Investor	Number of Work Hours (per day, per item)	Investor	Number of Work Hours (per day, per item)
AAM	9h (unfixed/can increase in times of heightened workload)	MAAM	10 (unfixed/ can go on to 15h or more in times of heightened workload)
ABM	8 (unfixed) (overtime pay)	MAM	8h (unfixed/hourly overtime pay)
ABNM	8 to 9 (unfixed)	MEWM	12h (unfixed/hourly overtime pay)
AGHM	12 (fixed)	MMF	8.5 (unfixed)
AM-P18	8 (fixed)	MM	10 (unfixed/stipulated based on the estimated workload)
AM-27	unknown	MSM	(unfixed)
AMPM	9 (fixed)	MSSM	8h (unfixed/hourly overtime pay)
ARHM	8 (unfixed)	MTM	9h (unfixed/increase in times of heightened workload)
BAKM	11 (unfixed)	MWQM	10-12 (unfixed)
BAM	8 (fixed)	MZM-P15	9h (unfixed/increases up to 12 during times of heightened workload)
BHM	12 (fixed)	MZM-P23	10h (unfixed)
BM	12 (unfixed - work during holidays)	NAAM	9h (unfixed/hourly overtime pay)
DAAM	8 (up to 14 normally with overtime pay hourly)	NGF	Item-based (8h work paid Afs. 400)
DMYM	12 hours	NMF	7h (unfixed)
FBF	8 (unfixed - up to 10 or 12 hours)	NM	unknown
FM/NANM	8.5 (unfixed/ hourly overtime pay)	NNM	8h
GZAM	8 (fixed)	NSM	9h (unfixed)
HKGM	10.5 (unfixed)	NUHM	10h
HMKM	12 (unfixed)	PKZM	8h (usually goes up to 10 or 11/hourly overtime pay)
HRKM	8 (unfixed)	QYM	10h (fixed)
HSMM	12 (fixed)	RHF	7h
HSM	24h stay in work compound (unfixed)	SNMM	10-12 (unfixed/increases or decreases based on the workload)
HSSM	10h-15h (overtime pay hourly/ holiday work)	SNM	8h
JKM	12h (fixed)	ZKF	unknown
JM	10 (unfixed)	ZMM	8h (unfixed/usually goes up to 10h/hourly overtime pay)

¹³ The interviewee is member of a union of honey producers but runs his own private business of processing and selling honey bought from other members

¹⁴ The production unit is located in Kapisa, a province adjacent to Kabul, but most sales happen in Kabul

¹⁵ Interviewee is member of a group of family businesses, his is one out of 5 others. One other also specializes in manufacturing

Table 8 - Wage Distribution (Min to Max Range)

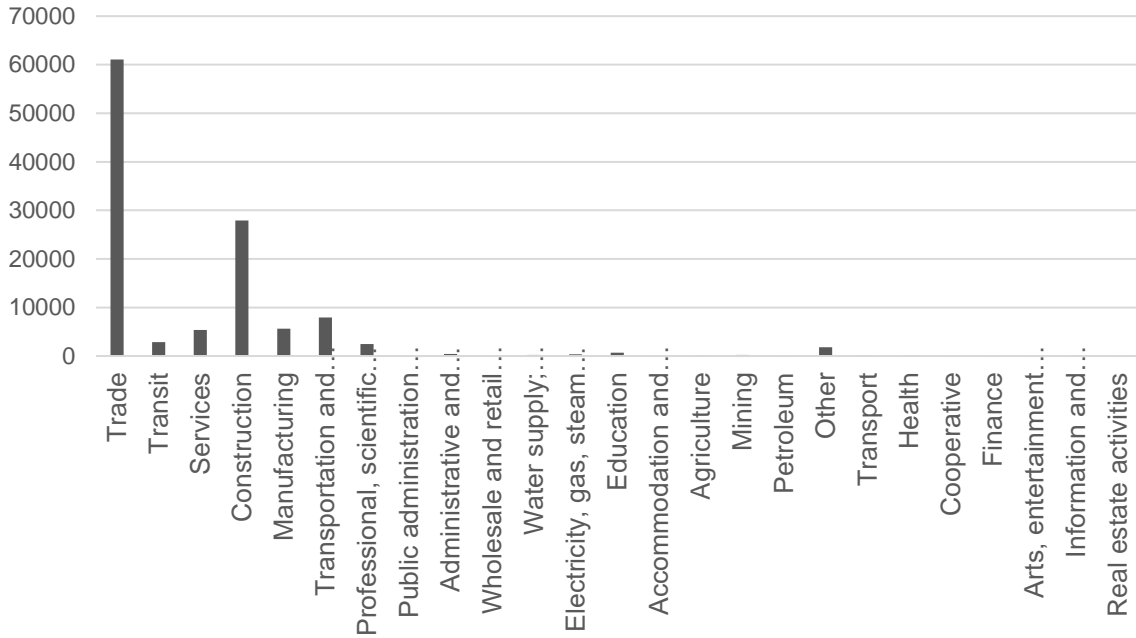
Investor/Wages	Min Wage¹⁶ (US Dollar)	Max Wage (US Dollar)
AAM-P	166.4	416.1
ABM-P	0.15/sac	624
ABNM-P	55.5	83.2
AGHM-P	138.7	800
AM-P18	111	180
AM-P27	138.7	166.4
AMPM-P	69.3	485.4
ARHM-P	270	500 (average amount/highest not mentioned)
BAKM-P	83.2	138.7
BAM-P	277.4	693.5
BHM-P	138.7	416
BM-P	69.3	138.7
DAAM-P	100	1,000
DMYM-P	150	1,000
FBF-P	41.6	208
FM-P	3.2/day	3000
GZAM-U	83.2	277.4
HKGM-P	97	693.5
HMKM-P	111	208
HRKM-P	0.01/item of 0.1 value	
HSMM-P	97	554.8
HSM-P	97	800
HSSM-P	300	500
JKM-P	111	138.7
JM-P	111	554.8
MAAM-P	138.7	693.5
MAM-P	55.5	138.7
MEWM-P	97	(Decided by the foreman who receives payment in bulk)
MMF-P	69	111
MM-P	124.8	208
MSM-P	138.7	277.4
MSSM-P	138.7	166.4 (commission-based)
MTM-P	83	277.4
MWQM-P	97	208

¹⁶ Monthly wages (unless otherwise specified)

Investor/Wages	Min Wage¹⁷ (USD)	Max Wage (USD)
MZM-P15	45.7	(1-person commission-based paid the highest)
MZM-P23	97	138.7
NAAM-P	83	208
NGF-P	6.9/3 days (item-based)	41.6/20 days (Item-based)
NMF-P	4/day	83
NM-P	unknown	
NNM-P	5.5/daily	unknown
NSM-P	97	249.7
NUHM-P	83	624
PKZM-P	166.4	1387
QYM-P	41.6	166
RHF-P	69	69
SNMM-P	0.08/Item	0.5/carton (for marketing personnel)
SNM-P	69	166
ZKF-P	1.4/day	83
ZMM-P	111	485

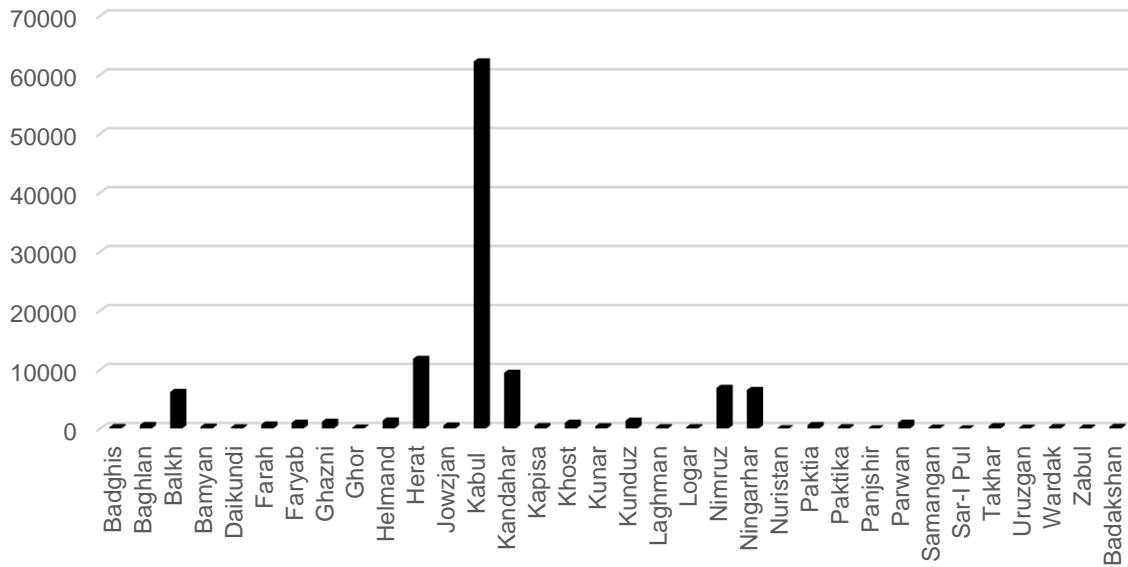
¹⁷ Monthly wages (unless otherwise specified)

Figure 10 - Number of ACBR-IP Licenses by Sector in Post-2001 Period



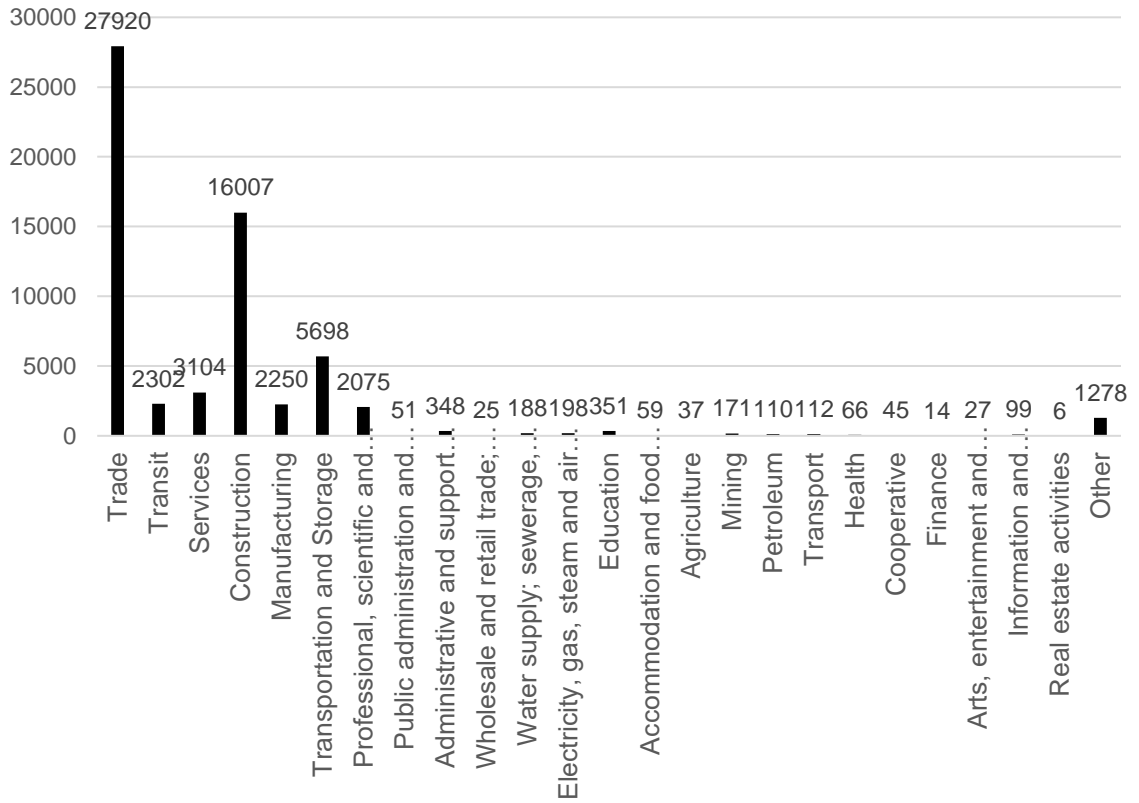
Source: ACBR-IP data as of March 13, 2018

Figure 11 - Private Business Registration Per Province (2002 onward)



Source: ACBR-IP data as of March 13, 2018

Figure 12 - Number of Licenses Issued in Post-2001 Period in Kabul



Source: ACBR-IP data as of March 13, 2018

Figure 13 - Minimum Number of Work Hours/Day

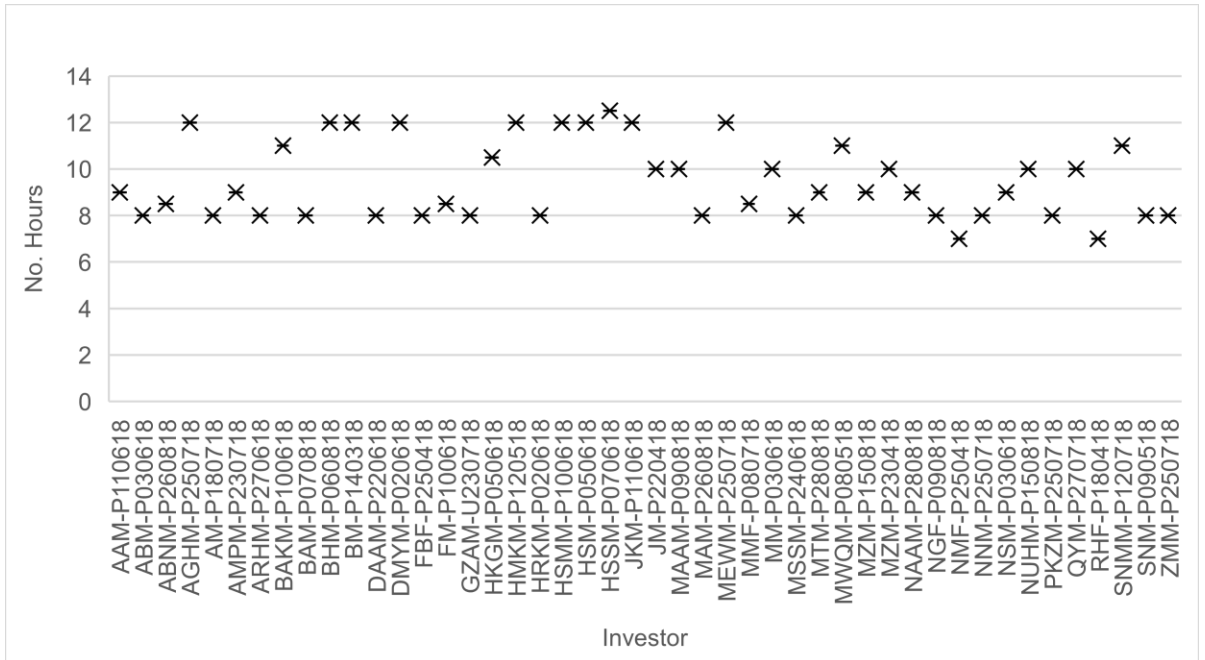


Figure 14 - Maximum Monthly Salary (USD)

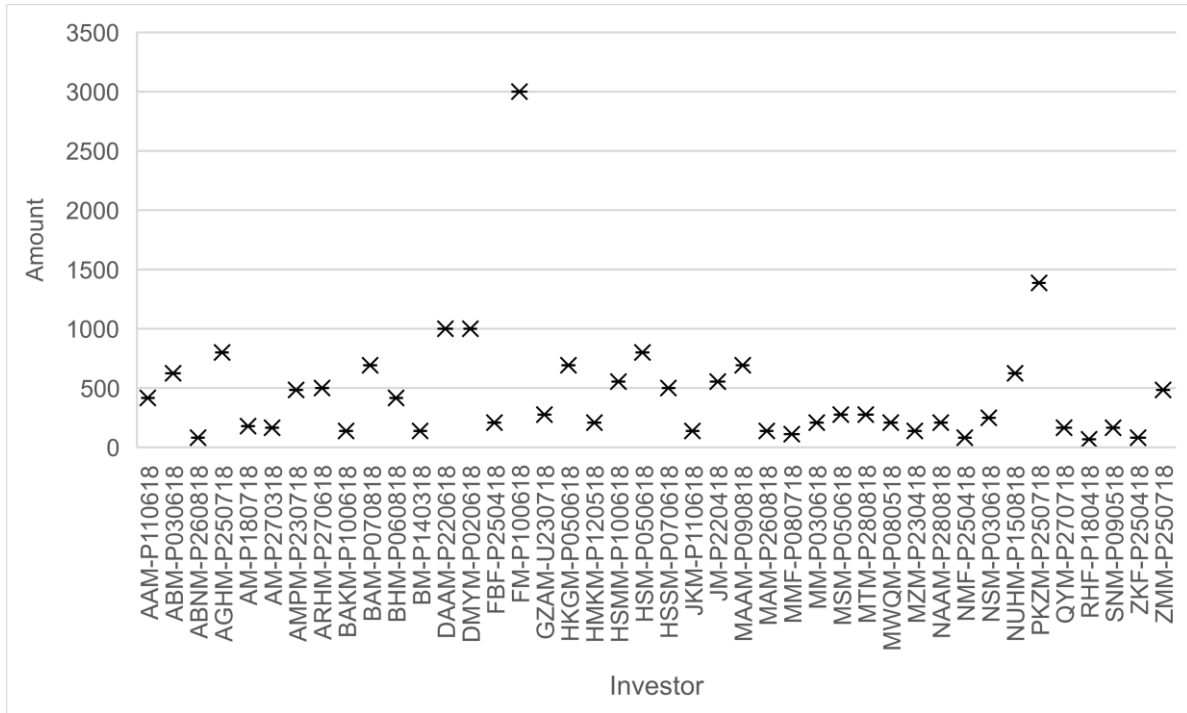


Figure 15 - Minimum Monthly Salary (USD)

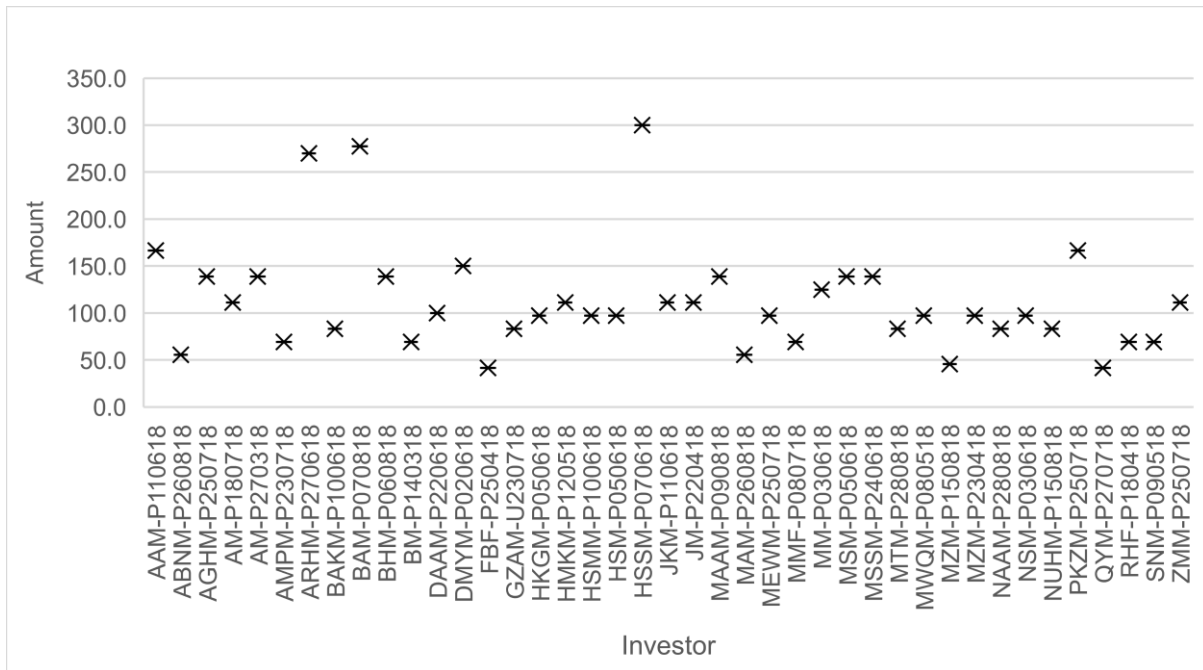


Figure 16 - Daily Wage (USD)

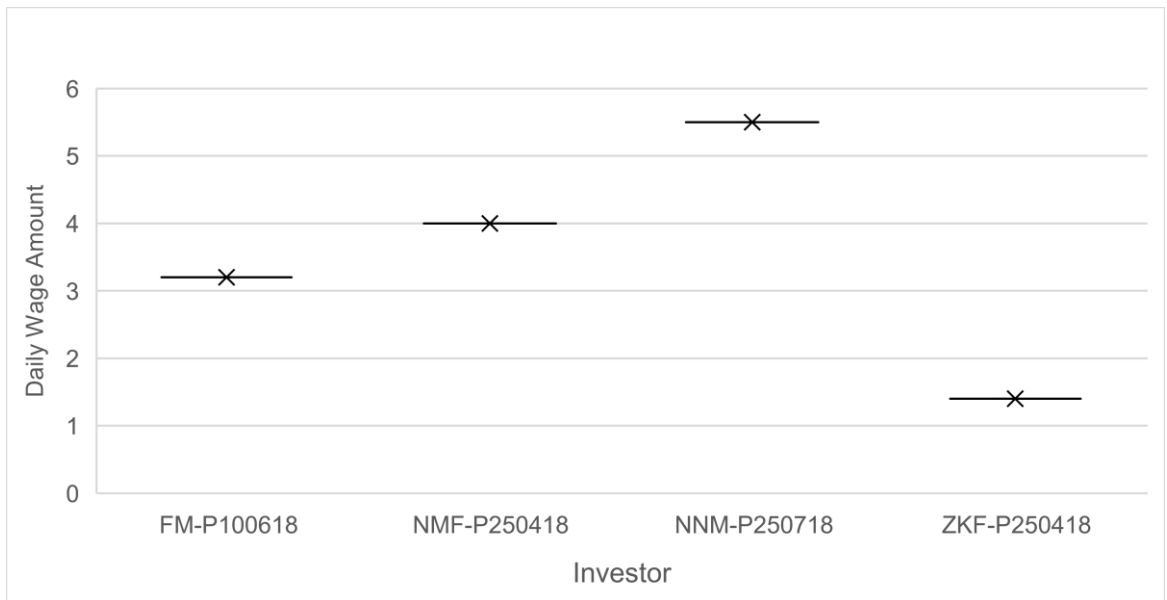
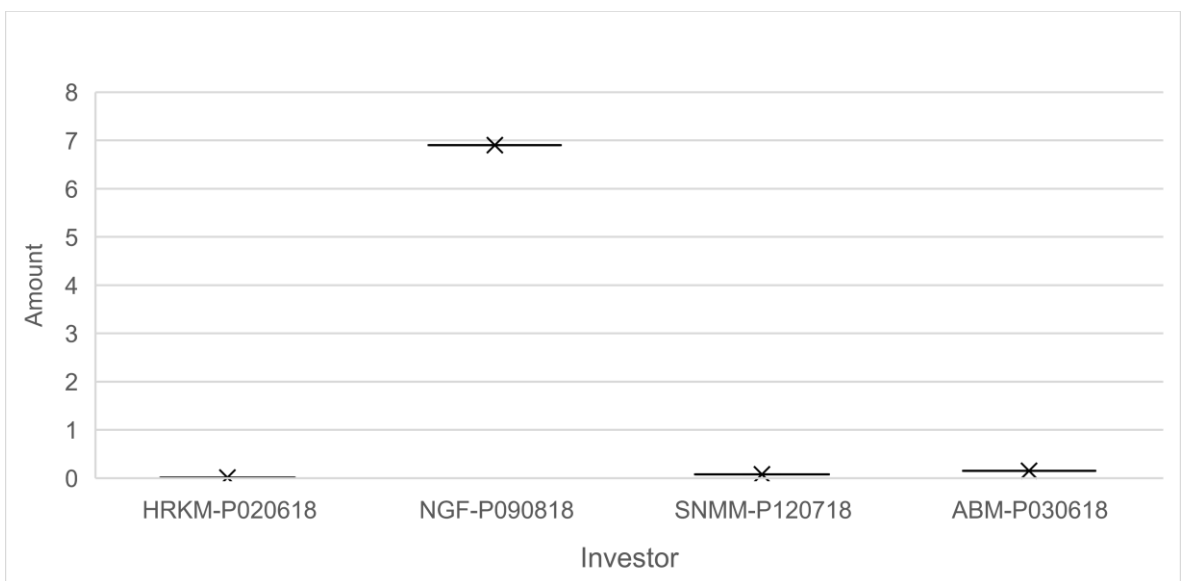


Figure 17 - Item-based Wages (USD)



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