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This paper examines policy makers' decision making using prospect theory (a decision making theory rooted in economics), as an analysis tool within the context of specific COIN operations. The counterinsurgency campaigns chosen for this paper are the British in Malaya, and the French in Algeria. This examination is a useful tool to demonstrate both the political aim in the use of military force and the amount of military effort a policy maker is willing to exert. Prospect theory will allow policy makers to more accurately frame the problem, define a desired end-state, monitor progress throughout a COIN campaign, and clarify the tension between international interests and domestic politics.

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MASTER OF MILITARY STUDIES

**TITLE: THE PROSPECT OF VICTORY: APPLYING PROSPECT THEORY FOR
DECISION MAKING IN COUNTERINSURGENCY OPERATIONS**

SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF
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AUTHOR: Maj J.W. Ledbetter

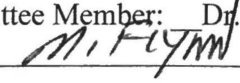
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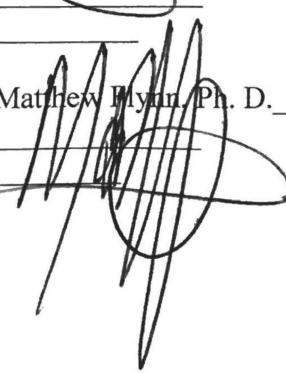
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Preface

The evaluation of counterinsurgency operations (COIN) is a complex task due to the ever-changing characteristics of war and the multitude of factors affecting the environment within an individual COIN campaign. The challenge is even more significant across different COIN campaigns. As a potential means of more accurately evaluating counterinsurgencies, I propose to use prospect theory as a policy maker's decision making and analysis tool. Using prospect theory as a theoretical framework will enable military professionals to learn from historic COIN examples, and serve as a planning tool before embarking on a COIN campaign.

I chose this topic because as much as we like to say "never again" following a long and costly COIN campaign, history has proven that we will most likely find ourselves engaged in another one. As military professionals we are required to serve as instruments of policy. The ability to accurately frame a problem before we plan a solution is critical to COIN, a type of war we find ourselves in so often.

I would like to thank Dr. William Gordon, Ph.D. for all of his assistance and guidance throughout this process. His mentorship and advice has been an invaluable resource. I would also like to thank Marine Corps University and the employees of the Gray Research Center, whose dedication to the education of military leaders is noteworthy.

Maj Jared W. Ledbetter, USMC

Quantico, April 30, 2017

Executive Summary

Title: The Prospect of Victory: Applying Prospect Theory for Decision Making in Counterinsurgency Operations.

Author: Major Jared Ledbetter, United States Marine Corps, AY2016-2017

Thesis: Prospect theory will allow policy makers to more accurately frame the problem, define a desired end-state, monitor progress throughout a counterinsurgency campaign, and clarify the tension between international interests and domestic politics.

Discussion: The United States' involvement in counterinsurgency (COIN) operations over the last fifteen years has resulted in numerous studies. These studies, however, have primarily focused on tactical and operational objectives. Therefore, the causes and motives that led a nation to intervene, and the relevant political decisions associated with them, are rarely examined in COIN literature. Because the goal of any war is to achieve a desired political end-state, clear, achievable objectives, defined by policy makers are required for the successful prosecution of a war. A review of the counterinsurgencies in Malaya and Algeria serves as a theoretical framework to apply prospect theory to policy decisions made in complex political and military environments.

Conclusion: Comparing British policies in Malaya to French policies in Algeria, utilizing prospect theory, illustrates the effects of policy and the government's ability to make decisions, monitor progress, make appropriate changes, or question previously held beliefs. Prospect theory, as a decision making analysis tool, is useful in the historical examination of counterinsurgencies, as well as in preparation for future conflicts.

Introduction

The United States' involvement in counterinsurgency (COIN) operations over the last fifteen years has resulted in numerous studies. These studies, however, have primarily focused on tactical and operational objectives.¹ Therefore, the causes and motives that led a nation to intervene, and the relevant political decisions are "rarely examined in COIN literature."² Because the goal of any war is to achieve a desired political end-state, clear, achievable objectives, defined by policy makers are required for the successful prosecution of a war.³

As stated by Carl Von Clausewitz, "the political object-the original motive for the war-will thus determine both the military objective to be reached and the amount of effort it requires."⁴ It is crucial that policy makers understand "the kind of war on which they are embarking; neither mistaking it for, nor trying to turn it into, something that is alien to its nature."⁵

This paper examines policy makers' decision making using *prospect theory* (a decision making theory rooted in economics), as an analysis tool within the context of specific COIN operations. The counterinsurgency campaigns chosen for this paper are the British in Malaya, and the French in Algeria. This examination is a useful tool to demonstrate both the political aim in the use of military force and the amount of military effort a policy maker is willing to exert. Prospect theory will allow policy makers to more accurately frame the problem, define a desired end-state, monitor progress throughout a COIN campaign, and clarify the tension between international interests and domestic politics.

Because political decisions drive policy-and the military is an extension of that policy-this paper examines how and why political decisions are made regarding COIN operations. The

focus, therefore, is not on military strategy, but rather the policy decisions within the selected COIN campaigns. The selected campaigns are used as tools to demonstrate how political decisions are made under conditions of risk, and how those decisions drive and affect the military mission. An attempt to compare and contrast the specific strategic differences between the campaigns will not be made. Neither does this paper include a tactical-level analysis of terrain, technical capability, or the military capabilities of the insurgents themselves.

Prospect Theory

Before embarking upon an analysis of political decision making within the selected counterinsurgencies, an understanding of the development and use of prospect theory is necessary. Daniel Kahneman and Amos Tversky developed prospect theory throughout the 1970s.⁶ The development of prospect theory began when Tversky, an expert in the field of decision making, shared an economic essay with Kahneman in the early 1970s.⁷ The author of that essay was a Swiss economist named Bruno Frey, and the essay discussed the psychological assumptions of economic theory. The essay opened with, “The agent of economic theory is rational, selfish, and his tastes do not change.”⁸ Kahneman, as a psychologist, contended that people are neither rational, nor completely selfish, and their tastes often change.⁹ He also stated that a human’s view of the world is limited to the information available to him or her at a particular time.¹⁰ It was in this context of dispute with generally accepted economic theory (expected utility theory), that Kahneman and Tversky decided to embark on an in-depth study of decision making.¹¹

Over the course of several years, Kahneman and Tversky focused on how people make decisions and choices between risky options. To demonstrate how people make decisions regarding risk, they used monetary value as the object. Many of their discoveries contradicted expected utility theory.¹² The errors in expected utility theory had, heretofore, gone unnoticed because they did not exist in what the theory asserted, rather in what the theory ignored or assumed.¹³

One of these errors in assumption was that happiness, expressed in monetary value, is based on the utility, or end-state of an individual's wealth.¹⁴ This is expressed in the following example:

Today Jack and Jill each have a wealth of 5 million.
Yesterday, Jack had 1 million and Jill had 9 million.
Are they equally happy? (Do they have the same utility?)¹⁵

Expected utility theory states that Jack and Jill should be equally happy because they each have five million. However, it is obvious that today Jack is happy, whereas Jill is not. The difference is not based on their utility of wealth, but on the recent change in wealth with regard to a reference point (one million for Jack, nine million for Jill).¹⁶

Another error in expected utility theory is that it does not account for risk-taking preference with regard to a reference point. Kahneman expresses this in the following example:

Anthony's current wealth is 1 million.
Betty's current wealth is 4 million.

They are both offered a choice between a gamble and a sure thing.

The gamble: equal chances to end up owning 1 million or 4 million
OR
The sure thing: own 2 million for sure¹⁷

According to expected utility theory, both parties would take the gamble because their expected utility for the gamble is 2.5 million, compared to the two million “sure thing”. However, by not accounting for a reference point, the theory does not anticipate Anthony’s happiness, because his outcomes are to double his money with certainty, or in the worst case lose nothing. Likewise, it does not account for Betty’s unhappiness, because she is faced with two bad options. Betty has to choose between losing half of her wealth with certainty, or gambling and potentially losing $\frac{3}{4}$ of her wealth, or lose nothing. In this example, Betty is more likely to gamble, as most people are when faced with two bad choices. Neither Anthony nor Betty thinks in terms of utility of wealth. Rather, given their reference points, Anthony thinks in terms of gains and Betty thinks in terms of losses. Betty’s risk-seeking behavior, or willingness to gamble, is often observed in decision makers when all of their options are bad.¹⁸

Kahneman and Tversky’s study of the flaws in expected utility theory led them to develop their theory, which would define outcomes as gains or losses, not as end-states of wealth.¹⁹ By defining outcomes as gains or losses, Kahneman and Tversky discovered that risk-seeking behavior was different when viewed as a gain or loss.²⁰ Particularly, people are risk-averse with respect to gains, and risk-seeking with respect to losses. This is illustrated in the following example:

Problem 1: Which do you choose?
Get \$900 for sure OR 90% chance to get \$1000

Problem 2: Which do you choose?
Lose \$900 for sure OR 90% chance to lose \$1000²¹

Further development of this concept yielded that not only do people exhibit more risk-seeking behavior with respect to losses, but also people dislike losing more than they like winning.²²

Given Kahneman and Tversky's study of the flaws in expected utility theory and the facts they derived from that study, the principles of prospect theory emerged. The first principle is that evaluation is relative to a reference point. That reference point may be the status quo, an expected outcome, or an outcome to which one feels entitled. Outcomes better than the reference point are gains, and outcomes below the reference point are losses.²³

The second principle of prospect theory is that of diminishing sensitivity. The sensory dimension is a useful description of diminishing sensitivity. For example, a weak light in a brightly lit room has a small effect. Conversely, a weak light in a dark room has a large effect. Similarly, the difference between \$900 and \$1000 is smaller than the difference between \$100 and \$200.²⁴

The third principle is loss aversion. Kahneman and Tversky discovered, "when directly compared, losses loom larger than gains."²⁵ Evolutionary terms explain loss aversion; beings who treat threats as more important than opportunities are more likely to survive.²⁶

These three principles are represented in figure 1. The two distinct parts are represented to the right and left of a neutral reference point. The line on the graph is S-shaped, which represents diminishing sensitivity, and the slope on the left is steeper than the slope on the right, representing loss aversion.²⁷

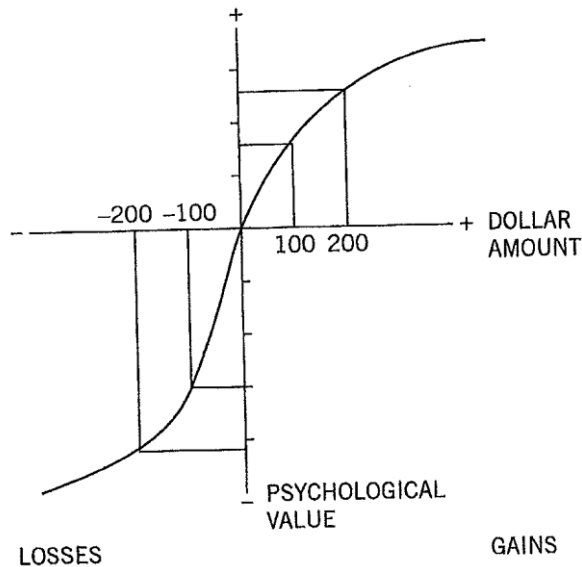


Figure 1- Daniel Kahneman, *Thinking Fast and Slow* (New York: Farrar, Strauss, and Giroux, 2011)

With respect to loss-aversion, prospect theory established that in a decision with potential gains and losses, people are risk averse because losses loom larger than gains.²⁸ Kahneman and Tversky measured loss-aversion mathematically, and for most people, the potential gain needed to double the potential loss in order to make the risk acceptable.²⁹

However, when faced with a decision involving a sure loss, and a larger loss that is merely probable, people are willing to accept more risk in order to avoid the pain of the larger loss.³⁰ These principles of prospect theory are important because humans make decisions based on the “emotional impact of gains or losses, not by long-term prospects of wealth and global utility.”³¹

Like any theory, prospect theory is not without drawbacks. One assumption of prospect theory is that the reference point, usually represented by the status quo, has a value of zero.

What the theory does not account for is a scenario in which the high probability of winning, or expectation of winning, results in a feeling of disappointment or regret when the outcome is merely a return to the status quo.³²

Before an analysis of Malaya and Algeria, it is crucial to demonstrate why prospect theory is a valuable tool with respect to COIN. The identification of a reference point from the outset is crucial to COIN. Nations with a powerful military rarely enter a counterinsurgency with the goal of re-establishing the status quo. In fact, in COIN, a re-establishment of the status quo is likely unachievable, and the key to success depends on a nation's ability to accept this and adapt, rather than continuing its attempt to "turn back the clock."³³

Furthermore, a nation that predicts a quick victory, or a short war with minimal losses establishes a new reference point, and therefore increases the likelihood of feelings of disappointment or regret.³⁴ This is evinced in the Vietnam War, which today some scholars argue as a strategic success; however, most Americans view it as a loss.³⁵ Therefore, prospect theory demonstrates why it is important for policy makers to correctly identify the type of war on which they are about to embark, and manage expectations to avoid the perception of a loss, where, from a policy perspective, a loss may not actually exist.

Additionally, the principle of loss aversion, which demonstrates why losses loom larger than gains, means that in a counterinsurgency, the nation waging it requires large gains relative to minimal losses. This is because the nation waging a counterinsurgency rarely views the insurgency as a threat to its basic freedoms or way of life. In World War II, the Allies accepted significant losses because the alternative would have been ruinous. Conversely, the lack of a democratic, stable government in Afghanistan meant just that; it did not represent a threat to the United States' ability to maintain its own stable democracy.

Another point demonstrated by the principle of loss-aversion is that when faced with a sure loss-or merely the probability of a larger loss-decision makers are more likely to take risk. This is often demonstrated in COIN by the initial commitment of a small number of forces. An enemy, when regarded as mere rebels or guerilla forces generally elicits a proportional response regarding the uniformed forces committed by the nation waging the counterinsurgency. However, if conditions deteriorate, a policy maker faces two bad choices: accept certain loss of the counterinsurgency, or commit to a large-scale COIN that involves nation-building.

Having to choose between the two bad options often results in a sub-optimal choice due to another function of prospect theory, which is competing reference points.³⁶ For a nation conducting COIN, there are often the competing interests of domestic politics and international losses.³⁷ For example, a policy maker forced to choose between commitment to a large-scale COIN or a sure loss in domestic politics may choose a compromise solution, which results in a sub-optimal choice.³⁸

Although Kahneman and Tversky may not have had COIN in mind when they developed prospect theory, their original publication of that theory demonstrated their foresight when they stated, “Although the present paper has been concerned mainly with monetary outcomes, the theory is readily adaptable to choices involving other attributes; e.g., quality of life or the number of lives that could be lost or saved as a consequence of policy decision.”³⁹ The remainder of this paper will focus on policy decisions as they relate to COIN in Malaya and Algeria. The results of these policy decisions did in fact determine quality of life, as well as the number of lives lost or saved, as predicted by the creators of prospect theory.

Malaya

The Malayan Emergency, a British-led campaign against Communist insurgents between 1948 and 1960 is an example of a successful COIN effort conducted in a complex political environment.⁴⁰ Malaya, in 1947, was a British colony approximately the same size as England. As a country covered mostly in jungle forests, at that time approximately 90 percent of the population lived in a coastal plain that extended ten miles inland along the western coast of the peninsula. The population of Malaya in 1947 was five million; 2.5 million of whom were ethnic Malay, two million were ethnic Chinese, and 500,000 were Indian. Although the Chinese comprised approximately half of the population, few were citizens and there was no widespread support for extending citizen rights and privileges to the rest.⁴¹

Malaya was extremely important to the British Empire in the post-war era. The Malayan exports, primarily rubber and tin, were the largest source of US dollars in the British Empire. Any serious economic disruption to Malayan industry would have significant economic consequences for the commonwealth.⁴² Furthermore, Britain, who framed Malaya through an imperialist, colonial-power worldview, felt a moral duty to protect its citizens and lead its colonies to independence only when Britain viewed its colonial peoples as ready to accept that independence.⁴³ Therefore, in addition to economic interests, Britain viewed itself as honor-bound to maintain the security and stability of Malaya.⁴⁴

At the outset of the Malayan Emergency, the Federation of Malaya was not prepared to conduct an effective counterinsurgency.⁴⁵ The Japanese occupation of the territory in World War II destroyed much of the Malayan government's administrative structure, and the British government was starting anew in Malaya following the Japanese surrender in 1945.⁴⁶ Further

compounding the problem, the British Army in Malaya was not prepared for war, as less than half of its soldiers in country were combat troops, with the majority in training or peacetime administrative duties.⁴⁷ Finally, the British were surprised by the Communist Chinese uprising as the ethnic Chinese Malaysians fought alongside British troops to repel the Japanese in World War II, and were regarded as allies.⁴⁸

The Malayan Races Liberation Army (MRLA) spearheaded the opposition to the Malayan government. The MRLA was the militant wing of the Malayan Communist Party (MCP), and was the successor to the Communist-led resistance group that fought the Japanese during World War II.⁴⁹ Over 95 percent of the MRLA's membership was ethnic Chinese. The MRLA's strategy was to attack civil officials and managers of rubber plantations in order to disrupt the Malayan economy.⁵⁰ The MRLA believed these attacks would force the government to protect its infrastructure and supply lines, thereby opening terrain in which the MRLA could establish liberated areas. These liberated areas were meant to serve as MRLA training bases, and more importantly, legitimize the MCP in the eyes of the population.⁵¹ The intent was to expand these liberated areas as the MRLA grew in strength until they could eventually force the surrender of the Federation of Malaya's government.⁵²

In June, 1948, the MCP carried out a series of violent attacks against the managers of large estates and local leaders of the Chinese Nationalist Party. Combined with the murders of three European planters and a Chinese supervisor, authorities believed the violence was growing out of control.⁵³ After declaring a state of emergency, the government implemented several regulations intended to subdue the violence with what amounted to policing actions.⁵⁴ This approach suited the British government as their history of colonial policing led them to believe the military should act in support of, and at the direction of civil authorities. This also

suited the British Army which opposed the idea of its soldiers acting as police officers in its colonies.⁵⁵ These beliefs, however, were incorrect in Malaya because its police officers were overwhelmingly ethnic Malay and the insurgents ethnic Chinese. The police force's inability to communicate with the ethnic Chinese hindered its ability to carry out its mission because the Communist insurgents drew most of their support from ethnic Chinese who worked as rubber tappers on the outskirts of the jungle.⁵⁶

Although the British identified the need to expand the police force to combat the MCP insurgents, the state and local police forces were primarily occupied with normal police duties and had little time for counterinsurgency strategies.⁵⁷ As a result, the government gave the British military the responsibility of fighting propaganda, sabotage, and terrorism, simply because it had the capacity to do so, whereas the civil authorities did not.⁵⁸ This division of responsibility carried on for nearly two years, and the British government realized that without the civil authorities, military means alone could not achieve victory over the Communist insurgents.⁵⁹ In 1950, the MRLA inflicted over 1,100 casualties. That combined with the British government's recognition of Mao Tse Tung's Communist regime led many to believe the British were losing the Malayan struggle.⁶⁰

The losses in Malaya from 1948 to 1950 prompted the British to appoint retired Army general Sir Harold Briggs as Director of Anti-Bandit Operations, or DO. Briggs had considerable experience, as he commanded units fighting Communist insurgents in Burma in the late 1940s.⁶¹ As DO, Briggs could coordinate the actions of both the police and the armed forces, although he did not have direct control over the civil authorities.⁶²

Briggs' plan was to seize the initiative by denying the insurgents access to food and supplies. He did this by relocating the Chinese rubber tappers from the fringes of the jungle to

heavily policed villages. The relocation tactic combined with aggressive patrolling forced the insurgents to choose between fighting government forces while attempting to obtain food and supplies, or scattering into smaller bands with decreased military effectiveness.⁶³ Despite the reform of the command and control structure, positive results were not immediate. In fact, the number of terrorist incidents actually increased during the early part of Briggs' tenure.⁶⁴ This is indicative of the need for patience while conducting COIN, because as the war progressed through 1951, the number of contacts and subsequent guerilla casualties increased, and the number of terrorist incidents decreased.⁶⁵

In October, 1951, the MRLA ambushed and killed High Commissioner Sir Henry Gourry, making it clear more efforts were required to defeat the insurgency. Near simultaneously, Winston Churchill became Prime Minister again.⁶⁶ Churchill merged the posts of High Commissioner and DO, thereby unifying command of civil and military forces. He appointed Sir Gerald Templer, Britain's youngest General Officer in World War II, to the post. Churchill also increased the size of Templer's staff, allowing him to focus on defeating the insurgency.⁶⁷ These changes to streamline authority allowed Templer to implement Briggs' plan effectively, and by 1954, 2/3 of the MRLA were killed or captured.⁶⁸ Terrorist attacks also declined from 500 a month in 1951 to 90 a month in 1954.⁶⁹ The combination of increased jungle patrols and the resettlement program severed the link between the MRLA and the support of the ethnic Chinese populace.⁷⁰

In 1954, with the MRLA defeated, the British re-established civilian control of the military and made it clear that Malaya would eventually become an independent nation. They also included Malayan indigenous leaders in state and local government in order to expose them to the challenges they would face after gaining independence.⁷¹ By the time the Federation of

Malaya gained independence in 1957, all state and local chairmen were Malayan. Although most senior Army and police officers were British, they served under the government of Malaya.⁷² This bolstered the legitimacy of the Malayan government and reduced the Communists' ability to recruit nationalists to their cause. Furthermore, this illustrates a vital principle of COIN, "when an outside power supports a host-nation against an insurgency, it is critical that the host government should appear to be in charge, with the ally in a supporting role."⁷³

The Malayan Emergency continued for three more years until the remnants of the MRLA were driven across the border into Thailand. On 31 July, 1960, the Malayan government declared the emergency over.⁷⁴ From initial declaration, the Malayan Emergency lasted over twelve years. The British and Malayan government security forces suffered over 4,000 casualties and the war cost \$3.3 billion, in today's dollars.

Prospect Theory and Malaya

An examination of the Malayan Emergency through the lens of prospect theory exposes several salient points. Through its colonial worldview, Britain framed the Malayan Emergency as a considerable loss.⁷⁵ Both Malaya's importance to the British economy, and Britain's perceived moral obligation to protect and lead its colonies, contributed to the loss frame. Further contributing to the loss frame was Britain's policy of anti-communism, which magnified the potential losses because it believed its reputation was at stake internationally.⁷⁶ The British appraisal of the situation through a loss frame from the outset defined its reference point for Malaya. This was crucial because this consistent reference point allowed Britain to monitor its

progress, or lack thereof, over time with the objective of granting Malayan independence on its own terms.⁷⁷

In competition with the loss frame with respect to international relations was the loss frame related to domestic politics. The British cabinet feared being labeled as ruthless imperialists and also feared disunity with the Labour Party and its sympathy for leftist movements.⁷⁸ The choice of two perceived bad options led to an initial sub-optimal choice by Britain's policy makers. It led to an imbalance between the political and military components of the campaign. The British perception of the Malayan Emergency as a governance and police action left little room for military strategy, and led to the military being engaged inefficiently and subordinate to a badly reputed police force.⁷⁹

Additionally, Britain's perception of the Malayan Emergency as a matter of colonial policing, and its past success at colonial management, led policy makers to be overly optimistic regarding the length and effort of the conflict.⁸⁰ Had the British viewed the conflict through the frame of anti-communism they would have realized this was a long-term problem and produced more realistic expectations.⁸¹

Although the British at the outset viewed the Malayan Emergency through the competing loss frames of international relations and domestic politics, and they went in with overly optimistic expectations, the clearly defined reference point from the beginning allowed policy makers to monitor Britain's lack of progress and re-frame the problem more accurately. This single reference point provided enough evidence for the British government to overcome its self-deception, thereby allowing it to discard short-termism and optimism, recognizing the anti-Communism campaign would be a lengthy one.⁸²

Additionally, the constant monitoring of progress via the single reference point allowed Britain to recognize its failed military policies. The British realized it was not enough to maintain governance and policing; in fact, it was necessary to seize initiative and fight the communists. The assessment of lack of progress pushed the British cabinet deeper into the loss frame, thereby leading to a larger troop commitment and full-scale COIN strategy, and a more population-centered approach.⁸³

Finally, the Churchill government was more committed to both imperialism and anti-communism, resulting in a long-term commitment. This long-term commitment allowed the British government to interpret the competing domestic and international risk factors and led to a re-doubling of efforts. Although Churchill wanted to end the conflict as soon as possible, the government resolved to do so only when it achieved its original reference point.⁸⁴ Thus, the conflict lasted twelve years, but when the emergency was over, the Federation of Malaya was an independent nation with established legitimacy, capable of governing and providing security for its people.

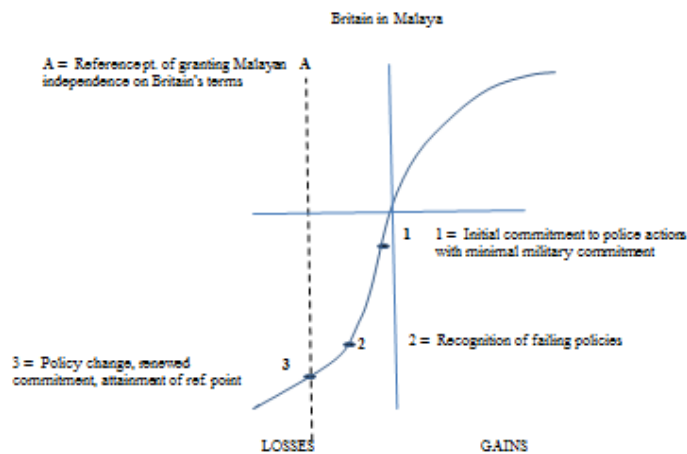


Figure 2

In contrast to the successful campaign waged by the British in Malaya is the French experience in Algeria. Although there are many differences in the two campaigns, prospect theory demonstrates both the successful policy decisions the British made, and the failures of the French. It is necessary to understand the history of Algeria and the Algerian War before analyzing this conflict through the application of prospect theory.

Algeria

France waged war in Algeria from 1954 to 1962 to retain sovereignty over its territory. Many in the French military view the war in Algeria as an operational and tactical success story, but a strategic and political failure with devastating consequences for France.⁸⁵ France had a unique relationship with Algeria as the closest non-continental part of the French empire. Communication, trade, and greater economic interdependence led many within Algerian society to identify politically and culturally with France. In fact, many viewed Algeria as more than a colony, rather, actual French territory.⁸⁶ About one million ethnic French citizens lived in Algeria, with one out of nine Algerians a descendent of French colonists, many of whom regarded Algeria as part of France and an ancestral home.⁸⁷

The French created the nation of Algeria by incorporating city-states, communities, and tribal areas into a single economic and political entity.⁸⁸ Thus, the nature of the relationship with France, and Algeria's origin, pitted indigenous African populations seeking independence with French-Algerians determined to prevent it.⁸⁹

The mid-19th century colonization of Algeria by the French resulted in the marginalization of the indigenous population.⁹⁰ The French administration, under the Second

Republic, viewed native Muslims and Jews as French nationals, but not French citizens. During the Third Republic, France granted Jews in Algeria citizenship. In 1865, France granted full citizenship to Muslims, but only if they renounced Sharia Law. However, the 8.4 million Arab Muslims in Algeria regarded this as apostasy, and few accepted. The result of this was the Algerian-Muslim population came to view the French as illegitimate occupiers.⁹¹

Despite this, when World War II began, many Algerian Muslims fought for the French cause. Algerian-Muslim leaders used their war time loyalty to the French to press for political rights. A pro-indigenous rally in 1945 resulted in the French military using heavy force to restore order. The result of this action was a nine-year hiatus in defiance, but it led many Algerian Muslims to believe peaceful demonstrations would have no effect on French policies.⁹²

The French government, focused on rebuilding after World War II, did not have the capacity to deal with colonial emergencies effectively. The French military, recently defeated in Indochina, determined to never allow a similar situation again. The French people, however, did not share this resolve, as World War II and the conflict in Indochina made them indifferent to the situation in Algeria.⁹³ In addition to these factors, colonization was out of favor with the international community and Algeria's neighbors Morocco and Tunisia gained independence. Thus, in 1954, one million French-Algerians living among 8.4 million "half-citizens" set the stage for the Algerian conflict.⁹⁴

Indigenous Muslim opposition groups organized themselves under the umbrella organization called the National Liberation Front (NLF) in November, 1954 to protest inequality and lack of representation within the government. The NLF was not a communist organization, rather nationalist, which was highly influenced by the Egyptian president, Gamal Abdel Nasser. The NLF had two stated aims – independence for Algeria and equity for all.⁹⁵ Its strategy was to

take actions which would attract global attention and gain international sympathy for its cause in order to put pressure on the French government. The NLF used information operations, guerilla activity, and terrorist actions to intimidate the population and undermine French authority.⁹⁶

The armed wing of the NLF, the National Army of Liberation (NLA) was established to conduct military terrorist operations. The NLA organized over 30,000 fighters into regular army units and stationed them in Morocco and Tunisia.⁹⁷ When the war erupted in 1954, the French faced an organization prepared to fight.

France's desired end-state changed three times in the eight-year war. First, it desired to retain the status-quo, two-tiered society that had been in place since 1848. Second, it shifted to offering Algerian-Muslims citizenship in order to entice them to support France's retention of Algeria as a territory. Third, it offered Algeria self-determination.⁹⁸ The lack of a clear and stable policy goal prevented France from maintaining the will of the Algerian people and also failed to undermine the insurgents' credibility.

France viewed Algeria as French territory and tried to initially treat the conflict as a law enforcement issue, but it rapidly grew into a full-scale war, for which France was unprepared.⁹⁹ France's slow response alienated the Algerian populace and many who were initially uncommitted joined the independence movement.

Additionally, the French people were undecided as to the desired end-state of the Algerian conflict, which led to a regime change in 1958.¹⁰⁰ When Charles de Gaulle returned to power in 1958 many in the French Army believed he would seek to retain Algeria as a French colony. That proved not to be the case. De Gaulle believed Algerian independence was inevitable, given the international tide of anti-colonialism. However, de Gaulle also believed the NLF had to be soundly defeated in order to negotiate terms favorable to the French.

As the French Army was given nearly free rein to deal with the insurgents, what were considered law enforcement duties degraded into the use of excessive force and turned public opinion against the French.¹⁰¹ The French Army used torture as a means of gaining intelligence, and the French political authorities covertly supported this. Torture produced good short-term results, allowing the French to identify NLF/NLA cells and take them down. However, strategically, torture proved unproductive because the moral and psychological effects on the population proved counter-productive to COIN.¹⁰² Militarily, the French were victors in the first and second battle of Algiers. The second battle resulted in the infiltration and destruction of much of the NLF, primarily through a disinformation campaign.¹⁰³ The French used harsh measures to secure Algiers and other urban centers, but paid a high strategic and moral price for tactical success. The means with which the French Army secured military success resulted in a moral and political failure.¹⁰⁴ Its brutal methods traumatized the Muslim population into obedience but alienated them from France. Although France eventually gained control over the population, it never won the population over to its cause.

In the Fall of 1958, de Gaulle announced the French would allow Algerian self-determination. This outraged many military officers and French settlers who started their own revolt in January, 1960 before the peace plan went into effect. A referendum on the future relationship between Algeria and France was held in January, 1961, winning Algeria's independence.¹⁰⁵ In response, French settlers formed the Organisation Armée' Secret'e (OAS or Secret Armed Organization). They matched the NLF's terror with their own, killing or driving into hiding any remaining moderate Muslims, and ultimately taking the cities of Oren and Algiers.¹⁰⁶

The French finally withdrew in June, 1962, and Algeria declared its independence in July, 1962. France and Algeria had no diplomatic ties until 1965, and it was 1975 before a French head-of-state visited Algeria. Jacques Chirac became only the second French president to visit Algeria in March, 2003.¹⁰⁷

Prospect Theory and Algeria

Prospect theory provides interesting insight into the Algerian War. It exposes decision making shortcomings on the part of French policy makers, as well as disconnects in civil-military relations. Because of Algeria's origin as a French colony, as well as the uniquely close relationship between Algeria and France, French policy makers framed the Algerian-Muslim uprising through a loss frame. The French military, with its experience in Indochina still fresh in the minds of its leaders was also determined to prevent another loss of that magnitude.¹⁰⁸ In contrast to the loss frame held by French policy makers and military leaders was the French populace. The experiences of World War II and Indochina left the French people war-weary and indifferent to the situation in Algeria.¹⁰⁹

Although the French maintained a consistent loss frame throughout the conflict, the changes of its desired end-state prevented policy makers from making effective operational and tactical changes during the conflict. The initial desired end-state, which was to retain the status-quo, two-tiered society, led policy makers to initially employ the military in a law-enforcement role. The French military, unprepared for the conflict, and left to its own devices, used increasingly violent and harsh tactics to achieve that desired end-state.¹¹⁰ When France offered full citizenship to Algerian-Muslims in 1958, its initial policies regarding the conflict had

alienated the Algerian-Muslims to such an extent that they were unwilling to accept terms that would maintain Algeria as a French colony. Had policy makers identified this desired end-state from the beginning of the conflict, the actions of its military would have been congruent with this policy, and prevented the harsh measures that alienated its Muslim population to the point of rejecting French citizenship. Finally, when France decided to offer Algeria self-determination, it had progressed so far into the loss frame that it would do so only on terms favorable to the French, which meant the insurgency had to be soundly defeated before negotiations could develop.¹¹¹ Although the French military ultimately gained control over the Algerian population, the measures it employed to do so meant the Algerian-Muslim populace could never be won over to the French cause, and resulted in long-lasting diplomatic consequences.¹¹²

The numerous changes in French policy makers' desired end-state created multiple reference points, which prevented France from consistently and accurately monitoring progress. If France had identified and maintained a consistent desired end-state (reference point), it could have identified the appropriate use of its military, and the amount of force it exerted. Each time France created a different reference point it was too late to adjust its policies militarily to achieve its newly-desired goals.

Ultimately, the French were forced to choose between two bad options. The first option was the loss of Algeria as a colony. The second option, which proved more important to France's leadership, was the loss of good standing within the international community. The withdrawal of France from the Algerian conflict was a pre-requisite to completing its reconstruction on the European continent, with modernization and NATO integration at stake.¹¹² Additionally, the use of over two million draftees in the Algerian conflict eroded public support for the war.¹¹³ Finally, the anti-communist international community saw the war as imperialistic

and playing into the hands of communist activists. The combination of lack of domestic support within France and international pressure to end the war resulted in the French withdrawal. Thus, when forced to choose between the loss of Algeria and the potentially disastrous consequences of continuing the war effort, France viewed the latter as unacceptable and withdrew from Algeria.

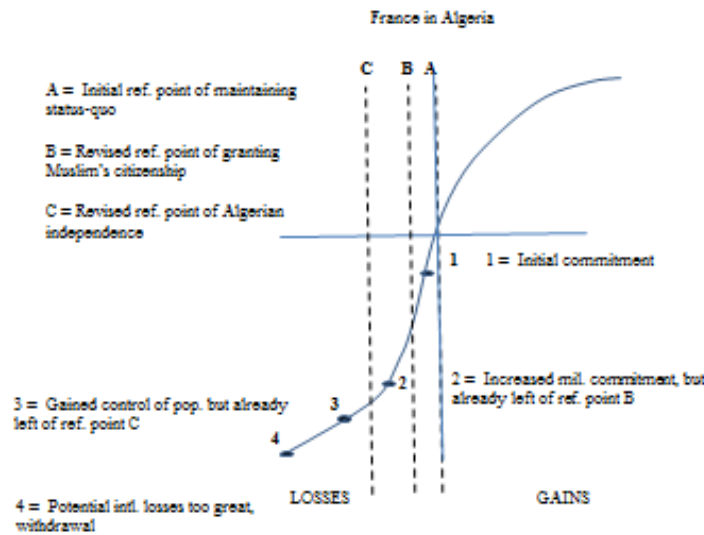


Figure 3

Conclusion

Lieutenant Colonel Phillipe Francois, a French Marine infantry officer stated, “Conducting a counterinsurgency is not like cooking; lessons learned from one conflict do not automatically translate into recipes for resolving another.”¹¹⁴ There are numerous differences in the counterinsurgencies waged by the British in Malaya and the French in Algeria. However, it is a useful endeavor to examine these conflicts at the policy level through the lens of prospect theory because, as stated by Sir Robert Thompson, “Without a reasonably efficient government

machine, no programs or projects, in the context of counterinsurgency, will produce the desired results.”¹¹⁵

Comparing British policies in Malaya to French policies in Algeria, utilizing prospect theory, illustrates the effects of policy and the government’s ability to make decisions, monitor progress, make appropriate changes, or question their previously held beliefs. Decision makers in both countries took considerable time in resolving their belief systems held at the outbreak of the conflicts.

The British government’s imperialistic world-view prescribed its loss frame and reference point throughout the conflict.¹¹⁶ The constant reference point of offering Malayan independence only when its citizens were in an appropriate position to accept this responsibility allowed more accurate, constant monitoring of progress, or lack thereof. The identification of failing policies, in relation to the reference point, enabled decision makers to make appropriate changes to their policies in a timely manner. The later application of Britain’s anti-communist world-view pushed its decision makers deeper into the loss frame, clarifying the tension between the competing reference points of international relations and domestic politics. Discarding the initial beliefs of short-termism and optimism allowed Britain to dedicate itself to its original reference point, regardless of time horizon, and Britain achieved its desired end-state.

Although France maintained a loss frame throughout the conflict, multiple changes in the reference point prevented its policy makers from accurately monitoring progress, and making necessary changes in a timely manner. By the time France recognized its failed policies and attempted to make appropriate changes, it had progressed too far into the loss frame to achieve the newly identified reference point. Additionally, the lack of a consistent reference point prevented the French from clarifying the tension between the competing interests of its

attachment to Algeria as a French territory, the lack of domestic support for the war, and the international sentiment of anti-colonialism. Ultimately, the French faced potentially ruinous consequences, the risks of which were so great that the potential losses were unacceptable. The untimely recognition of how far France had progressed into the loss frame resulted in long-lasting domestic and international losses.

The examination of these conflicts utilizing prospect theory demonstrates the importance of the early definition of realistic goals, because monitoring progress without a reference point is impossible. Furthermore, an honest and pragmatic approach regarding potential losses will prepare the populace for the commitment required to achieve these goals.¹¹⁷ Because domestic politics doesn't necessarily encourage risk-taking, especially if the reference point is in the future, consistency in the frame and reference point is critical to clarify the tension between domestic politics and international commitment to COIN. This clarity will allow countries to determine if the conflict on which they are embarking is of vital interest, because if seen as non-vital, the tradeoff will result in a sub-optimal choice.¹¹⁸

It is worth reiterating the foresight of the developers of prospect theory when they wrote in their initial publication, "Although the present paper has been concerned mainly with monetary outcomes, the theory is readily available to choices involving other attributes, e.g., quality of life or the number of lives that could be lost or saved as a consequence of policy decision."¹¹⁹ The scope of the application of prospect theory to policy decisions in COIN was limited in this paper to Malaya and Algeria. However, further application of this theory across the spectrum of conflict will allow policy makers to more accurately frame the problem, define a desired end-state, monitor progress throughout, and clarify the tension between international interests and domestic politics.

Notes:

¹Eszter Simon, “Cognitivism, Prospect Theory, and Foreign Policy Change: A Comparative Analysis of the Politics of Counterinsurgency in Malaya and Afghanistan.” *Small Wars and Insurgencies* 26, no. 6 (December 2015): 889.

²Ibid.

³Phillipe Francois, “Waging Counterinsurgency in Algeria: A French Point of View.” *Military Review* 88, no. 5 (September-October 2008): 60.

⁴Carl Von Clausewitz, *On War* (Princeton: Princeton University Press, 1976), 81.

⁵Ibid, 88.

⁶Daniel Kahneman, *Thinking Fast and Slow* (New York: Farrar, Strauss, and Giroux, 2011), 269.

⁷Ibid.

⁸Ibid.

⁹Ibid.

¹⁰Ibid.

¹¹Ibid.

¹²Ibid, 272.

¹³Ibid, 275.

¹⁴Ibid.

¹⁵Ibid, 275.

¹⁶Ibid.

¹⁷Ibid.

¹⁸Ibid, 276.

¹⁹Ibid, 279.

²⁰Ibid.

²¹Ibid.

²²Ibid, 281.

²³Ibid, 282.

²⁴Ibid.

²⁵Ibid.

²⁶Ibid.

²⁷Ibid, 283.

²⁸Ibid, 284.

²⁹Ibid.

³⁰Ibid.

³¹Ibid, 287.

³²Ibid.

³³Francois, "Waging War in Algeria," 67.

³⁴Kahneman, *Thinking Fast and Slow*, 287.

³⁵Thomas Jackson, "Geopolitics and the Vietnam War: Pyrrhic Victory's Antonym," *Geopolitics* 14 (2009): 664.

³⁶Simon, "Cognitivism, Prospect Theory, and Foreign Policy Change," 890.

³⁷Ibid, 900.

³⁸Ibid.

³⁹Daniel Kahneman and Amos Tversky, "Prospect Theory: An Analysis of Decision Under Risk," *Econometrica* 47, no. 2 (March 1979): 288.

⁴⁰Walter C. Ladwig, "Managing Counterinsurgency: Lessons from Malaya," *Military Review* 87, no. 3 (May-June 2007): 57.

⁴¹Ibid.

⁴²Ibid.

⁴³ Simon, "Cognitivism, Prospect Theory, and Foreign Policy Change," 893.

⁴⁴Ladwig, "Managing Counterinsurgency: Lessons from Malaya," 57.

⁴⁵Ibid.

⁴⁶Ibid.

⁴⁷Ibid.

⁴⁸ Simon, "Cognitivism, Prospect Theory, and Foreign Policy Change," 892.

⁴⁹ Ladwig, "Managing Counterinsurgency: Lessons from Malaya," 58.

⁵⁰Ibid.

⁵¹Ibid, 59.

⁵²Ibid.

⁵³Ibid.

⁵⁴Ibid.

⁵⁵Ibid.

⁵⁶Ibid.

⁵⁷Ibid.

⁵⁸Ibid, 60.

⁵⁹Ibid.

⁶⁰Ibid.

⁶¹Ibid.

⁶²Ibid.

⁶³Ibid, 61.

⁶⁴Ibid.

⁶⁵Ibid.

⁶⁶Ibid.

⁶⁷Ibid, 63.

⁶⁸Ibid.

⁶⁹Ibid.

⁷⁰Ibid, 64.

⁷¹Ibid.

⁷²Ibid.

⁷³Ibid.

⁷⁴Ibid.

⁷⁵ Simon, “Cognitivism, Prospect Theory, and Foreign Policy Change,” 892.

⁷⁶Ibid, 893.

⁷⁷Ibid.

⁷⁸Ibid.

⁷⁹Ibid, 894.

⁸⁰Ibid.

⁸¹Ibid.

⁸²Ibid, 896.

⁸³Ibid, 897.

⁸⁴Ibid.

⁸⁵ Francois, “Waging War in Algeria,” 56.

⁸⁶Ibid, 57.

⁸⁷Ibid.

⁸⁸Ibid.

⁸⁹Ibid.

⁹⁰Ibid, 58.

⁹¹Ibid.

⁹²Ibid.

⁹³Ibid.

⁹⁴Ibid.

⁹⁵Ibid.

⁹⁶Ibid, 60.

⁹⁷Ibid.

⁹⁸Ibid, 61.

⁹⁹Ibid.

¹⁰⁰Ibid, 62.

¹⁰¹Ibid.

¹⁰²Ibid, 66.

¹⁰³Ibid, 67.

¹⁰⁴Ibid.

¹⁰⁵Jim Jones, "Algerian Independence," *West Chester University*, 2013, <http://courses.wcupa.edu/jones/his312/lectures/algeria.htm>.

¹⁰⁶Ibid.

¹⁰⁷Ibid.

¹⁰⁸ Francois, "Waging War in Algeria," 59.

¹⁰⁹Ibid.

¹¹⁰Ibid, 62.

¹¹¹Ibid, 67.

¹¹²Ibid, 62.

¹¹³Ibid.

¹¹⁴Ibid, 56.

¹¹⁵ Ladwig, "Managing Counterinsurgency: Lessons from Malaya," 56.

¹¹⁶ Simon, "Cognitivism, Prospect Theory, and Foreign Policy Change," 901.

¹¹⁷Ibid, 902.

¹¹⁸Ibid, 901.

¹¹⁹Kahneman and Tversky, "Prospect Theory," 288.

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