

# Neoliberalism and the Rise of the Private Military Industry

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In the early twentieth century, Georges Clemenceau remarked that war is much too serious a matter to be entrusted to the military. In the early twenty-first century, it's much too profitable. This turn of history is strikingly exemplified in the US-led wars in Afghanistan and Iraq, which are the first wars in history to be dependent upon private military contractors to undertake task up to and including combat support—activities previously and nearly exclusively carried out by state militaries. The for-profit logic of private military firms is quite unlike old conceptions of 'mercenaries.' Today, private military firms are integrated into the operations of the world's most powerful militaries and normalized through their transaction on the free market. The market for private military services is enormous and the extent to which the US military has been privatized is so profound that the viability of US foreign engagements in Iraq and Afghanistan are contingent upon the availability of contracted labour.

While the private sector participation in US wars is not new, the extent of military privatization has elicited pressing new questions, and a growing body of academic literature has emerged addressing historical conceptual, institutional, ideational and social dimensions. (Thomson 1994; Arnold 1998; Zarate 1998; Cilliers and Mason 1999; Musah and Fayemi 2000; Nossal 2001; Mandel 2002; Singer 2003; Avant 2005; Leander 2005; Kinsey 2006; Percy 2007; Abrahamsen and Williams 2011) However, academic research into this phenomenon is still underdeveloped. Most inquiries into this issue area do not develop strong theoretical understanding of how the private military industry relates to other actors and processes in world politics leaving many dimensions unexplored. This paper aims to correct this deficit by exploring critically the transformative interactions of the US state and economic neoliberalism. In the United States, the effects of military neoliberalism run deep, as the figures below will attest. However, the US did not arrive at this state overnight. Military privatization and marketization has been an uneven and improvised process, reflecting the real world limitations of applied neoliberalism, and the evolution of the neoliberal ideational framework itself. As will be discussed, the privatization and now re-regulation of military contracting did not occur in neat and ordered sequences. Different approaches to privatization coexist in uneven and contradictory ways across the US private military industry. More broadly though, military privatization cuts to the core of the Westphalian state itself, revealing fundamental transformations to the indispensable unit of analysis in the academic field of International Relations. By situating evolving US military privatization practices within evolving ideational processes, this paper aims to explain the co-constitution of US military policy and neoliberal economic ideology.

The paper begins with an overview of the scale and cost of contracting in the two major theatres of the war on terrorism. It is followed by a brief discussion about the inadequacies of conventional IR theories and the general inability to develop a conceptual framework that can theorize the transformation of the state. This leads to a discussion about theories from critical International Political Economy (IPE) literature that do account for these transformations, through the lens of embedded neoliberalism, the competition state, and especially 'roll-back' and 'roll-out' neoliberalism. Finally, this paper demonstrates the explanatory value of these theories by charting the rise of the US private military industry over the past thirty years with a particular focus on the years 2001-2010. It is in this period that the US undertook a deliberate policy of military privatization and deregulation in Iraq and Afghanistan, followed by subsequent attempts to re-regulate the industry in the face of unintended consequences.

### *Private Military Firms in Iraq and Afghanistan*

The word 'mercenary' is popularly used to describe contractors operating in Iraq and Afghanistan but this concept is more a term of opprobrium than analysis. Indeed, the image of the twentieth century mercenary is one the misanthropic white men, surreptitiously dropping into African civil conflicts in search of unseemly profit and adventure. (Burchett and Roebuck 1977)

Presently, the firms and individuals constitutive of the private military industry are considerably different from history's "vagabond bands of mercenary soldiers." (Mockler 1985) Private military firms and the individuals they employ constitute a globalized and multidimensional industry with a complex division of labour that defies simple categorization or analysis.<sup>1</sup> Though a systematic classification will not be offered here, the diverse profile of contracting services outsourced by the US military gives a qualitative sense of the degree to which the US military has privatized its traditional operations. The numbers tell a similar story about the scale to which the US depends on private contractors to prosecute its wars in Iraq and Afghanistan.

Even though the deployment of contractors runs wide and deep, it is notoriously difficult to find accurate figures on the number of contractors working for the US military for reasons that will be discussed later. As such, estimates about the number of contractors vary wildly and no figure can be taken as authoritative. In 2011, a Congressional investigation into contracting practices estimated that about 199,783 contractors were employed by the US in Iraq and Afghanistan in fiscal year 2010. (US Commission on Wartime Contracting 2011) An estimate from the Government Accountability Office (GAO) records a total of 262 681 contractors and assistance personnel employed by the Departments of Defense, State and USAID in Iraq and Afghanistan, 18% or 47,282 perform security functions. (US Government Accountability Office 2010b) Based on these figures it is reasonable to suggest that there is one to two contractors for every US uniformed soldier. By way of contrast, contractor support in the 1991 Gulf War saw a rate of one contractor for every fifty deployed troops. (US Government Accountability Office 2010a; Avant 2004) Between September 2001 and the end of March 2011, the US Department of Labor estimated that 2,620<sup>2</sup> contractors employed by US-based firms have been killed in Iraq and Afghanistan. (US Department of Labor 2011)

Financially, the 2011 Commission on Wartime Contracting estimates that at least \$117 billion has been obligated to private contractors since October 2001. \$154 billion spent by the Department of Defense, \$11 billion for the Department of State, and \$7 billion for the US Agency for International Development (USAID), plus \$5 billion in grants and cooperative agreements awarded by State and USAID. 7% of this figure or \$12 billion may have been lost to fraud and inefficiency (US Commission on Wartime Contracting 2011) Billions more have been committed to long-term projects including a ten-year \$150 billion omnibus contract to provision the US Army set to expire in 2017. (Hedgpeth 2007) Regardless of the precise numbers, it clear that the scale to which the US military relies on the private sector is enormous and without precedent. Taken together, the number of private contractors constitutes the second largest contingent of coalition or NATO partners. Of course, contractors are not formally affiliated with one another, nor are they necessarily interoperable, so referring to them as a unified force is inaccurate. But each contractor relieves democratic governments of the political liability that comes with sending soldiers to war. Given the range of services provided by the private sector, it is difficult to see how the US-coalition effort in Iraq and Afghanistan would be possible in the absence of contracted labour.

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<sup>1</sup> Establishing a typology of private military firms is notoriously difficult because the range of activities carried out defy simple categorization at a firm-level analysis. The most systematic discussions to date are provided by Mandel 2002, Singer 2003, Schreier and Caparini 2005 and Kinsey 2006. This paper adopts the term *Private Military Firm* to refer to a single corporate entity providing services that would otherwise be undertaken by a state military; and *Private Military Industry* to refer to the broader division of labour among firms providing services to state militaries.

<sup>2</sup> These figures reflect Department of Labor statistics collected by the Office of Workers' Compensation Program. The total deaths figure reflects the number of claims cases created under the Defense Base Act for the time period September 2001- March 2011. Under the Defense Base Act, employers are required to report on-the-job injuries and deaths of their workers within ten days of their occurrence. However, these figures are not complete or official casualty statistics of civilian contractor injuries and deaths.

## I. The State, Market and Neoliberalism

Presently, scholarly understanding of the big business of twenty-first century war contracting lags behind its massive and indispensable presence. While mercenarism is not new, the corporatized military firm is a new actor in world politics that turns conventional understanding of state authority and the legitimate use of force on its head. Rather than viewing the state as the sole repository of legitimate force, private military firms have fixed themselves into positions as legitimate market actors, dispensing force in the name of profit. These are profound developments and represent a challenge to conventionally held perspectives on the state and International Relations. (IR) For all of its emphasis on the state, IR literature inadequately theorizes its primary unit of analysis and has long been criticized for its inattention. (Walker 1995) It is within the broad paradigm of International Political Economy (IPE) that scholars have developed more sophisticated theoretical inquiries into the changing nature of the state. In the IPE subfield, a broader scope of phenomena may be explored including the concatenations of multiple actors, ideas, ideologies and neoliberal economic projects that sought to undue the stabilizing mechanisms that had embedded the global economy in social and political institutions. (Cox 1981; Gill 1995; Hettne 1995; Cox and Sinclair 1996; Saad-Filho and Johnston 2005; see also Strange 1988; Strange 1996) What they seized upon was the idea that the modern state is conditioned by a complex array of forces that must be understood holistically, rather than as discrete variables with clear causal effects.

Military privatization is a single iteration of a broader phenomenon—the conditioning of the modern state by the neoliberal market framework that informs globalization in the twenty-first century. The literature on this topic is vast and its conceptualization of ‘neoliberalism’ itself has been equally diverse. But the treatment of neoliberalism has often presented in a simplified or caricatured form, a fact that has yielded much debate and frustration with the term. (Cerny 2008; Watkins 2010) Indeed, thoughtful attempts have been made to articulate the essence of economic neoliberalism and its effects on advanced capitalist states in the twenty-first century. (Jessop 2002; Harvey 2005; Turner 2008) but the dynamic character of the phenomenon has proven difficult to capture. Therefore neoliberalism must be understood and analyzed as a dynamic and evolving process, contingent upon temporal and spatial context. Accordingly, speaking of ‘neoliberalism’ necessarily refers to the process of neoliberalization; an ongoing account of a phenomenon that develops unevenly and with varying effects, in this case contributing to the transformation of the fundamental properties of the modern state.

### *The Marketization of the State*

In order to theorize state agency, actors within and without, and the ideational factors of world politics, this paper looks to a process-oriented conceptualization of neoliberalization and its impact on states. Jamie Peck and Adam Tickell (2002, 2003) conceive of neoliberalization as an evolving process unfolding in two phases, especially but not exclusively, in Western Europe and North America. The first ‘roll-back’ phase began in the 1980s with a rolling back of state intervention in free markets. ‘Roll-back’ neoliberalism was an active set of state-initiated, though by no means uniform, programs associated with attacks on organized labour, planning agencies, and bureaucracies by way of funding cuts, downsizing and privatization. (Peck 2010). Neoliberalism’s ‘roll-back’ phase quickly met its real-world limitations as the perverse consequences of market-centric reform became evident. Despite the exigencies of the ‘roll-back’ phase, the neoliberal paradigm did not collapse. Rather, it evolved to reconcile the social and political tensions that arose in its wake. By the end of the 1980s, roll back neoliberalism changed in form to incorporate technocratic, strategic and market-oriented state interventions into the free market. In essence, ‘roll-out’ neoliberalism halted and reversed the dismantling of the state with a deliberate series of state interventions and re-regulations. This phase is characterized by the

proliferation of “market conforming regulatory incursions” including networked forms of governance, multilateral economic surveillance, technocratic management, public-private partnerships and market-complementing forms of regulation. (Peck 2010: 23-26) It was, and remains, “a series of politically and institutionally mediated responses to the manifest failings of the Thatcher/Reagan project, formulated in the context of ongoing neoliberal hegemony in the sphere of economic regulation. In a sense, therefore it represents *both* the frailty of the neoliberal project *and* its deepening.” (Peck and Tickell 2002: 390 original emphases) It is important to remember that there is no ‘tipping point’ where ‘roll-back’ became ‘roll-out’ neoliberalism. The practices that characterize both phases are not uniform. Though they share the same objective of market-competitive facilitation, these measures represent generalized adaptations to different crises. In practice, ‘roll-out’ measures were incorporated unevenly across and within jurisdictions, at different and overlapping points in time. Military privatization and the subsequent attempts at curbing the unanticipated problems do not fit snugly into a two-phase process. Rather, as will be seen, ‘roll-back’ and ‘roll-out’ forms occur simultaneously in different areas of private military contracting enterprise.

‘Roll-back/roll-out’ neoliberalism is a fertile theoretical framework that captures the transfiguration of the Keynesian welfare state into a form that Philip Cerny calls the neoliberal ‘competition state.’ (Cerny 1997, 2006, 2008, 2010) Under this conceptualization, the state undertakes a set of priorities in response to the globalized market pressures and the inadequacies of the Bretton Woods regime. Rather than acting as a decommodifying agent—that is, removing certain activities from the market—the state acts instead as a promoter of its domestic economic firms and sectors, facilitating their economic competitiveness in international markets. In this regard, the state is drawn into promoting the marketization of its own activities and structures within a global marketplace. (Cerny 1997: 267)

In practice, ‘roll-out’ neoliberalism and the competition state are both associated with a rash of proactive state policies aimed at facilitating pro-market forces. What they both entail, is a conceptualization of neoliberalism that is not simply static forms of privatization, marketization and deregulation, but ongoing interventions and improvisations on the part of the state. Embedding neoliberalism in a market-oriented institutional framework like the state represents a compromise between the neoliberal ideal of the unalloyed market, and the impossibility of achieving that idea. The neoliberal synthesis is managed such that it allows for the primacy of market freedom, while strategically allowing formal and informal governance mechanisms to take the place of Keynesian restrictions. Thus, scholars have adapted the language of Keynesian embedded liberalism and have begun speaking of ‘embedded neoliberalism’ to capture the policies, programs, and crucially, the normalization of its practices. (Cerny 2010, 2008) While the implications are global, the projects are rolled out within the specific regional, state and sub-state political economic space. Looking back over the neoliberal decades it is clear that the state of neoliberalism is in constant flux, and that the neoliberal state has proven to be remarkably resilient at renegotiating its own dimensions to accommodate the interests of transnational capital.

The remainder of this paper addresses the case of US military privatization during the first decade of the war on terrorism where ‘roll back’ and ‘roll out’ policies take on a global and expansionist scope. In the US, both phases of neoliberalism entail the normalization of marketizing the state’s legitimate use of coercive force. With the privatized ‘coalition of the billing’ in tow fighting alongside state forces, the military-commercial complex in the US has blurred distinctions between state and market, public good and private gain, foreign policy and corporate profit. The US remains capable of presenting a politically viable war policy to its domestic audiences by claiming that uniformed troop levels will be kept low thus avoiding

Vietnam-era domestic strife. In Iraq and Afghanistan, the initial ‘roll back’ phase of military privatization created a boom industry in the midst of a war zone. However, unanticipated complications and failures accompanying the marketization of war necessitated a response from the US state. Over time, the US rolled out an uneven and improvised set of policies to bound the private military industry within a framework of patchy regulation intended to resolve, or at least address the failures of the ‘roll-back’ while perpetuating the lucrative market for force. In this regard, privatizing warfighting in Iraq and Afghanistan should also be included alongside other public-private partnerships within the context of ‘embedded,’ or ‘roll-out’ neoliberalism. US military outsourcing follows a pattern of neoliberalization; from a largely unqualified approach, to a more circumscribed method necessitated by unforeseen events on the ground.

## **II. Outsourcing War and the Emergence of the Private Military Industry**

A defense industrial base is a necessary feature of a militarized state and the participation of private actors in the US defense supply chain is nothing remarkable. After all, US military reliance on private sector production goes back to the War of Independence. Over the next two centuries, as the US industrialized and the armed forces matured, the relationships between the political economy of the military industry sector grew more complex and interconnected. Indeed, the dynamics of defense production and political regulation has a long history (Donahue 1989; Koistinen 1980), the influence of the arms industry did not enter the broader public’s imagination until Dwight Eisenhower gave the military-industrial complex its enduring name. (Eisenhower 1961) Over the following half century, the military industrial complex grew in size, scope and sophistication into its current sprawling form. In Vietnam, Saudi Arabia and the Balkans, major US corporations provided services with significant military implications. (Shearer 1998; Zarate 1998; Singer 2003; Chaterjee 2009) Neoliberalism’s ascendancy in the 1980s arrived with the political force and intellectual infrastructure to permit the ‘roll-back’ of the US state’s vertically integrated management of military production and delivery. US military needs of the global war on terrorism provided the demand.

### *LOGCAP I-IV 1985-present: Rolling it back*

The first explicit forays into defense privatization tracks with the emergence of neoliberalism as an organizing policy principle during the Reagan and Thatcher era. Administratively, the origins of private contracting can be traced to 1985 when US Army Chief-of-Staff General John A. Wickam signed an order that set out the concepts, responsibilities, policies and procedures for using civilian contractors to replace soldiers and local labour during wartime. (Chaterjee 2009; Isenberg 2009) In the unassuming thirteen-page document, concepts, procedures and policies of the Logistics Civil Augmentation Program (LOGCAP) were first articulated with the stated purpose to plan for the outsourcing of selected services to civilian contractors in ‘wartime conditions.’ The theory was that the use of civilian contractors in a theatre of operations would augment Army forces by releasing military units from non-core tasks. ‘Wartime conditions’ was not clearly defined in the document, opening a wide window of opportunity to outsource in situations that could range from “heightened international tensions or states of military readiness through periods of armed conflict up to and including a congressionally declared state of war.” (US Army 1985: 6)

Though the seeds of wider scale privatization were sown in LOGCAP, the original order reflects a deep concern about the heightened risks associated with incorporating civilians into war operations. The original program was designed to allow maximum decision-making flexibility for each Army command, permitting commanders to “balance its military and contractor mix accordingly.” (US Army 1985: 3) Since civilian performance is far less predictable under wartime conditions, the document cautions contracting agencies to be judicious about the

requirements, type and administration of each contract. “It is probable that deficiencies in any of these efforts will result in increased costs and may result in less than desired contractor performance levels.” (US Army 1985: 7) Quite perceptively, General Wickam’s memorandum anticipated many problems that the US would face with its contracting corps two decades later in Iraq and Afghanistan.

Procurement for the Gulf War effort was the first major test of civilian contracting in a war zone. By 1992, LOGCAP I was reorganized to provide a single global worldwide planning and service contract. It was awarded to Houston-based Brown and Root, now Kellogg Brown and Root (KBR) and ran until 1997 under the management of the US Army Corps of Engineers at a total value of \$811 million. In 1997, LOGCAP II was awarded to Virginia-based DynCorp running until December 2001 and worth a total of \$102 million. LOGCAP III was the first contract program awarded during the war on terrorism and was awarded to Halliburton subsidiary KBR with an accumulated value of \$35.7 billion. This contract was structured according to a three-tiered incentive arrangement. The first tier was an unlimited firm-fixed price whereby the Department of Defense and the contractor agree to a set price for services rendered, and the contractor assumes responsibility for all costs incurred. The second tier was “cost-plus-fixed-fee” whereby the Department of Defense provides payments for allowable incurred costs to an extent enumerated in the contract. The third tier was cost-plus-award-fee, which does not set fixed payment criteria above and beyond the initial contract value. This cost-plus award structure has been widely criticized as the source of over billing, abuse and fraud. (US Government Accountability Office 2006) Though LOGCAP II had a one-year lifespan, the Pentagon retained the right to extend it every year for a maximum of nine years, until January 31, 2012. (Chaterjee 2009) However, in July 2006, the Pentagon announced the cancellation of LOGCAP III contract and introduced the implementation of LOGCAP’s fourth iteration. As of 2011, three companies, DynCorp, Fluor Intercontinental, and KBR carry out contracts under LOGCAP IV with a projected value of \$150 billion by 2017. (US Army 2010; Hedgpeth 2007)

#### *Privatization Under George W. Bush*

Though military privatization as policy began in the 1980s, the process of rolling back the US defense bureaucracy accelerated in the early years of the first Bush administration. In 2001, Bush released a management agenda with a vision of government reform guided by market-based principles, “actively promoting rather than stifling innovation through competition.” (Bush 2001: 4) Reforms applied equally to the national security apparatus. Public statements made by US Secretary of Defense Donald Rumsfeld foreshadowed the massive outsourcing under LOGCAP III and IV. During his tenure at the Pentagon, the United States embarked on an explicit program of ‘roll-back’ outsourcing and privatization intended to incorporate the logic of the private sector into the operations of the Pentagon apparatus. The scale and scope was unambiguously declared by Rumsfeld in a speech to Pentagon deputies on September 10, 2001 where he dramatically represented the Pentagon bureaucracy as stifling, “bastion of central planning” that poses a “serious threat to the security of the United States.” (Quoted in Scahill 2007: 50) In early 2002, Rumsfeld published an article in *Foreign Policy* laying out his vision for the transformation of the US military. Extending the theme of transformation to the organization of the Pentagon, Rumsfeld asserted the need to “promote a more entrepreneurial approach: one that encourages people to be proactive, not reactive, and to behave less like bureaucrats and more like venture capitalists; one that does not wait for threats to emerge and be ‘validated’ but rather anticipates them before they appear and develops new capabilities to dissuade and deter them.” (Rumsfeld 2002: 29) Rumsfeld’s statements read like a manifesto for the neoliberal ‘roll-back’ of the largest bureaucracy in the US government. His language of entrepreneurship and venture capitalism in these early declarations would be transformed into standard operating practices over the course of the next decade.

*The Pentagon Quadrennial Defense Reviews 2001, 2006, 2010*

Privatization and outsourcing of military functions associated with 'roll-back' neoliberalism can be traced through official documents outlining the strategic direction of the Department of Defense. Chief among those documents is the *Quadrennial Defense Review*. The *QDR* is a review process initiated by US Congress in 1996 to analyze strategic objectives and prospective threats after the end of the Cold War. Analysis of language used by the Pentagon to incorporate private military firms, and the private sector more broadly, into its operations is an effective way to track the arc of military neoliberalization over the crucial 2001-2010 period. In this time, the tenor of the three *QDRs* shifts considerably with regard to private contracting, particularly in the 2010 iteration. As events on the ground brought unanticipated challenges to the fore, policies expressed in 2001 and 2006 changed considerably from 'roll-back' approaches towards strategic policies associated with 'rolled-out' re-regulation and technocratic management. Doubtless, the 'roll-out' policies forecast in 2010 were made necessary to reconcile the rash of externalities, unanticipated scandals and costs arising from the initial phase.

Mostly written before the 9/11 attacks, the 2001 *QDR* adapts existing Pentagon thinking into the new global security environment. Donald Rumsfeld's foreword to the 2001 review reasserts that the centrality of homeland defense and asymmetrical threat preparation. Much of this new direction is framed by the need to revitalize the Department of Defense according to the principles of private sector efficiency standards. The *QDR* recognizes that the need to transform America's military capability beyond strategy and force structure to the internal practices of the Department of Defense. While the Pentagon kept pace with the changing post-Cold War security environment, DoD must transform its support structure in a way that efficiently integrates and mobilizes civilian resources at its disposal.

With regard to research and development, the *QDR* prescribes that the Department of Defense embark on a "quiet revolution" to integrate its research and development practices with the private sector. The Pentagon, it says, will rely on the private sector to provide much of the leadership in developing new technologies into the foreseeable future. Accordingly, DoD will "turn to private enterprise for new ways to move ideas from the laboratory to the operating forces, to draw upon the innovations of the private sector," and to "blend government and private research where appropriate." (US Department of Defense 2001: 41) Shortly thereafter, the *QDR* states, "only those functions that must be performed by DoD should be kept by DoD. Any function that can be provided by the private sector is not a core government function... Aggressively pursuing this effort to improve productivity requires a major change in the culture of the Department." (US Department of Defense 2001: 53) Thus, the Pentagon will determine its core and non-core activities along three broad categories: (1) functions directly linked to warfighting and best performed by the federal government; (2) functions indirectly linked to warfighting capability that must be shared with the private sector; and (3) functions not linked to warfighting and best performed by the private sector. In these areas, DoD will look to privatize or outsource "entire functions or define new mechanisms for partnerships with private firms or other public agencies." (US Department of Defense 2001: 54)

Four years later, the Department of Defense released the first *QDR* that accounted for the unanticipated problems with the wars in Iraq and Afghanistan. In keeping with its predecessor, the 2006 document reiterates the concern that the armed forces are hampered by inefficient business practices." (US Department of Defense 2006: 63) However, it goes deeper, reconceptualizing the full scope of resources available to the Pentagon in a way that blends the notions of the public and private sphere. According to the *QDR*, the Department's 'Total Force' will now consist of four components: its active and reserve military components, civil servants,



and its contractors, thus constituting US warfighting capability and capacity. (US Department of Defense 2006: 75) In this reconfigured Total Force, “a new balance of skills must be coupled with greater accessibility to people so that the right forces are available at the right time. Both uniformed and civilian personnel must be readily available to joint commanders.” (US Department of Defense 2006: 75) Here, in no uncertain terms, the Pentagon integrates private sector contracting into its organizational logic as a means of rolling back the ‘non-core’ functions identified in the 2001 *QDR*.

The period between 2006 and 2010 transformed Pentagon thinking about the operations of the US military in Iraq and Afghanistan. Throughout the Iraq war, contracting abuses had been exposed to public scrutiny. Largely unaccountable cost-plus incentive contracts led to billing scandals and calls for increased oversight. (US Government Accountability Office 2006a; US Government Accountability Office 2006b) More significant, however, was the increasing notoriety of armed security guards operating in Iraq and especially the highly publicized killing of seventeen Iraqi civilians in Baghdad in 2007 by Blackwater contractors. (Broder and Risen 2007) Sensitive to the changing dynamics of contracting in Iraq and Afghanistan, the 2010 *QDR* reassessed the role of private contractors and conveys the strategic need to reconfigure the way contractors are integrated into US war efforts.

Much more cautious and circumscribed, the language of the 2010 *QDR* calls for a more systematic approach to Defense partnerships with the private sector. Quite unlike the unqualified calls for outsourcing and privatization of the previous reviews, the Pentagon in 2010 took a much more interventionist and managerial view of wartime contractors and contracting. In the document, DoD’s strategic direction on contracting recommends action on four issues. The first pair involves slowing the unchecked process of outsourcing that had characterized the previous two review periods. The second pair of issues involves intensifying the role of the Pentagon as a facilitator of public-private partnerships that reach deeper into the civilian institutions and networks of American society.

Chief among the stated directions is a reduction of the US military’s dependence on contracting. Between 2010 and 2015, the Department of Defense aims to reduce the number of support service contractors from 39% of the current workforce to 26% (pre-2001 levels) and, in some cases, replace them with government employees. (US Department of Defense 2010: 55) The *QDR* admits that services provided by contractors are a crucial part of military strategy in conflict zones, but the military must include this sector in such a way that balances mission requirements and overall return. While maintaining the language of a ‘total workforce’ that includes military, civilian and contractor personnel, the DoD makes a significant qualification to the composition of the workforce. By reducing the number of contractors DoD will be able to *more appropriately* align public and private sector functions, which will result in “better value for the taxpayer.” (US Department of Defense 2010: 55-56 emphasis added) The phrase “more appropriately” is left undefined in the discussion of force reduction. However, clues to its meaning are discernable in the *QDR*’s language about striking a balance among the components of the renamed “total defense workforce,” which is the second strategic recommendation. Here, the 2010 *QDR* calls upon the DoD to find the “right mix” of military, government, civilian and contractors with the right competencies. The Department of Defense must assess whether it possesses the right workforce of size and mix in order to “establish a balanced workforce that appropriately aligns functions to the public and private sector.” (US Department of Defense 2010: xii) Here again, the parameters of appropriate alignment are left undefined, but it is difficult to imagine that “finding the right mix” would involve anything other than rolling-out greater bureaucratic oversight, re-regulation and management.

Textual support for this assumption emerges in the second pairing of reforms, which begins by demanding a more active role for the Pentagon bureaucracy in the contracting process. Predictably but importantly, it calls for improved accountability mechanisms for overseeing contracting. The *QDR* states that DoD needs to "better align profitability with performance by linking contract fee structures with contractor performance." This involves "rigorously examining service-based contracts to ensure that fees are properly earned, eliminating the use of no-bid contracts whenever possible, and ensuring that multiyear contracts are limited to instances in which real, substantial savings are accrued to the taxpayer." (US Department of Defense 2010: 79) This is a logical step after years of unheeded calls from the US Government Accountability Office, among others, to improve military outsourcing procedures functions.

Most profound, however, is the *QDR*'s recommendations that the Department of Defense extend the scope of its public-private partnership and improve the way it engages with its civilian industrial, commercial and intellectual base. Though large-scale industrial providers, like Boeing, Lockheed Martin and Halliburton, play a unique role as exclusive weapons suppliers, the *QDR* acknowledges that the US military relies on a "complex and integrated supply chain of product providers that, if strained at the second, third and even fourth tiers," would compromise the ability of major first tier providers to continue provisioning the armed forces. (US Department of Defense 2010: 82) Understanding the cascading effects of Pentagon decision-making is crucial to ensure that all actors along the supply chain are integrated into DoD procurement strategy. The *QDR* goes on to identify a number of previously overlooked sectors that are crucial to the field of military contracting field. At the third and fourth tiers, the Pentagon identifies small, highly specialized companies that are subcontracted by major suppliers. Moreover, the *QDR* identifies the significant role played by the financial community in the US that provides venture funding to small technology start-ups, and the debt markets that provide capital support to major long-term programs. Elsewhere, DoD recognizes that not all technological innovations arise from specifically contracted or sub-contracted companies. The vast majority of innovative advancements come from the commercial marketplace in small defense companies or in research universities. In order to expand the scope of Pentagon resources, the *QDR* asserts that the Department of Defense will "work to establish requirements and pursue specific programs that take full advantage of the entire spectrum of the industrial base at our disposal: defense firms, purely commercial firms, and the increasingly important sector of those innovative and technologically advanced firms and institutions that fall somewhere in between." (US Department of Defense 2010: 82) Though it is not explicitly stated, reaching deep into American society for assistance with defense procurement entails significant bureaucratic involvement as well as networked forms of governance to provide the regulatory environment that will facilitate partnerships between the US military and the industrial-commercial-academic complex.

### *The State of the Roll Out*

While the 2010 *QDR* calls for new forms of regulation, bringing nearly a decade of largely unrestrained contracting under regulatory control has proven extremely difficult. Currently, US military contracting in Iraq and Afghanistan is subject to an overlapping *ad hoc* patchwork of regulation, some of which predates the 2010 *QDR*, with conflicting jurisdictions and authorities. For example, the International Transfer of Arms Regulations Act requires companies offering military advice to foreign nationals to register and obtain a license form the State Department. By the same Act, Congress must approve of contracts worth over \$50 million. (Wulf 2005) Most of the existing regulatory framework is comprised of scattered directives issued at all levels of civilian and military decision-making authority, while more formalized approaches attempting to 'roll-out' oversight regimes have been slow in developing. There are a few major advancements worth noting.

In October 2006, US Congress amended the Uniform Code of Military Justice (UCMJ) to bring civilian contractors under its purview, with the intention to extend military jurisdiction to civilian contractors operating alongside US forces. Historically, civilians were only subject to UCMJ in combat zones during formally declared periods of war. Article 2(a)(10) now reads, “[I]n time of declared war or a *contingency operation*, persons serving with or accompanying an armed force in the field.” (Masterton 2009, emphasis added) Contingency operations include military operations that are “designed by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force.” (Masterton 2009; 72) By expanding jurisdictions to contingency operations, the UCMJ now covers any civilian contractor operating alongside US forces in any context.

In terms of industry regulation, the US Congress established legal grounds for improved oversight and administration of private military contracting with the 2006 National Defense Authorization Act (NDAA). The NDAA directed the Department of Defense to develop a broad strategic plan to assess critical competencies of its civilian workforce. A similar mandate was issued the following year but the two pieces of legislation did not provide direct instructions to improve private contracting practices. It was only in 2008 that legislators required that the Pentagon develop a specific plan to govern the civilian and military components of the US defense workforce. The 2008 NDAA contained the first statutory obligations to improve contracting oversight, reporting and accounting. This legislation required that the Departments of Defense and State coordinate and establish a regulatory framework for the use of private security contractors in areas of combat operations. Among the provisions, the NDAA requires a minimal set of processes to manage and administer the actions of contractors carrying weapons in Iraq. These include a host of basic oversight and reporting systems including maintaining records of personnel performing security functions; accounting for weapons carried by individuals performing private security; registration and identification of armored military vehicles operated by contractors; requirements for qualification, training and screening; develop reporting mechanisms for incidents involving the discharge of weapons, death or injury to contractors or civilians, property damage, and active non-lethal countermeasures undertaken by contractors. (US Government Accountability Office 2009: 8-9) With regard to reporting and accountability, the Act establishes a Commission on Wartime Contracting with a broad mandate for investigation; a requirement for annual reports from the Government Accountability Office; and expanded jurisdiction for the Special Inspector General for Afghanistan. Elsewhere it enumerates an ethics review process for former DoD employees seeking contracts with the Pentagon as a private sector employees as well as whistleblower protections for contractors reporting abuses.

Also incorporated into the 2008 NDAA, was a memorandum of understanding signed by the Departments of State, Defense and USAID to maintain a common database on contracting information. The Departments agreed to a common system for tracking contracts worth over \$100,000 and scheduled for a period of more than two weeks. (US Government Accountability Office 2010b) The Synchronized Predeployment and Operational Tracker (SPOT) was established to keep track of all contractor personnel operating in Iraq and Afghanistan but it has met with significant impediments to implementation. Two years after the initial agreement, the GAO found that SPOT could not be relied upon to track the information required by law.

In 2009, a Government Accountability Office progress report found that both the Departments of Defense and State had indeed developed procedures to address their statutory obligations, but unevenly and often with resistance. The GAO reported that only the Department of State had developed and implemented standardized policies for screening foreign nationals while calls for screening processes at the Department of Defense were criticized as unrealistic. (US Government

Accountability Office 2009) Officials at the Pentagon argued that having to screen non-American contractors would severely limit the resources available to US military operations in Iraq and Afghanistan. However, the main difficulty in screening prospective employees is that contracted firms do not have easy or reliable access to information that is part of ordinarily background checks. This is especially problematic with regard to non-US citizens because criminal and employment records differ considerably from one country to the next in terms of accessibility and comprehensiveness. (US Government Accountability Office 2009: 4) Other steps have been taken to monitor activities of private security contractors in Iraq, but the regulations are either superficial, like establishing reviews of contractor training methods and spot checks on training facilities in Iraq; or simply common sense, like orders to keep track of weapon inventory and limiting alcohol consumption for armed security contractors on scheduled workdays. (US Government Accountability Office 2009: 26)

Subsequent iterations of the NDAA expanded upon the regulatory incursions established in 2008. The 2009 NDAA set out ethics guidelines to address conflicts-of-interests in contracting, as well as whistleblower protections. It also prohibited contractor activities in specific areas especially including prisoner interrogation, and placed limitations on contractor activity in combat functions that should ordinarily be performed by US armed forces. Moreover, the Act mandated limitations on subcontracting to prevent excessive reliance on secondary providers that add little or no value. The 2010 NDAA added requirements for competitive bidding processes before any civilian Department of Defense function is converted to the private sector, mandated further studies into the dynamics of contracting, and extended prohibitions on prisoner interrogation. In 2011, the NDAA established standards and certification requirements for contractors authorized to carry weapons, authorized the Secretary of Defense to reduce or deny award fees to contractors that jeopardize the safety of US government personnel, and required DoD to explore the feasibility of extending sexual assault resources to defense contractors. The effectiveness of these regulatory incursions remains to be seen. Patchwork regulations, delegated legislative responses, interagency friction and the difficulty of regulating war zones means that the success of rolled out reforms are indeterminate at best. The 2011 Commission on Wartime Contracting interim report concluded that sweeping reforms must be made to a practice that has become a necessary part of national security apparatus.

## **Conclusions**

This paper addresses three major currents in world politics, military privatization, the changing character of neoliberalism, and the changing character of the state. Ascribing causal relationships between the three, however, is difficult. Over time, complex feedback loops have informed transfigurations of each of these currents as they evolve. What remains are three currents in a constant process of interpenetration and renegotiation, defying simple categorization of actors and processes at play, presenting conceptual challenges for theorists of International Relations and International Political Economy alike. The implications of military privatization represent an iteration of the ongoing interpenetration of global market and the state. Observing the evolving role of market actors in US military activity provides insight into both the evolving nature of both neoliberalism and the changing character of the 'competition state.' In the US, the privatization of military functions and the market constraints on US force projection represents an incursion of the logic of capitalism into the logic of security policy, a development that is obscured by state-centric theories of International Relations. The uneven roll-back and subsequent roll-out of neoliberal state incursions into the market for force has facilitated the rise and entrenchment of a highly profitable private military industry with global reach. With regard to the private military industry itself, the failures of applied neoliberalism have given rise to demands for industry-friendly regulation. While early forms of governance have come in fits and

starts it is apparent that is that the primitive 'roll out' approaches are not sufficient to bring the massive and hitherto unconstrained industry under political control. Given the extent to which the US state depends on the private sector for its own foreign adventures, it is incumbent upon scholars to account for this transformation of the state, shot through as it is by the logic of neoliberal capitalism.

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