



The American Voice 2004: A Pocket Guide to Issues and Allegations

Issues and Allegations: Military Privatization

At a Glance...

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WHY WE USE "CONSERVATIVE" AND "LIBERAL"

Background

After the collapse of the Soviet empire in 1989, the U.S. reduced the size of its armed forces and military budget. Today's military has 1.4 million full-time soldiers, down from 2.1 million in 1990.[1] Military spending declined from \$405 billion in 1990 to \$295 billion in 1998, in 2003 dollars.[2]

In both Congress and the Pentagon, interest grew in outsourcing (contracting for support services while retaining responsibility for them within the military) and privatization (transferring responsibility for management of a program from the military to private contractors). They were (and are) viewed as ways to cut costs and increase efficiency.

Acquisition rules were changed in the early 1990s to allow the military to buy more commercial technology that has not been specifically designed for the Department of Defense (DOD). In 1996 Congress directed DOD to begin privatizing support services considered commercial in nature. It instructed the Pentagon to submit a plan for increased use of the private sector for services not central to the military's war-fighting mission, and it required the DOD to provide a justification when it recommended that a function not be outsourced.[3]

Every major U.S. military operation since 1990 has involved support from private military companies, including the Persian Gulf War, Somalia, Haiti, Zaire (Congo), Bosnia and Kosovo. In the 1991 Gulf War the ratio of private contractors to soldiers was one in 50; by the time of the 1996 peacekeeping mission in Bosnia the ratio had increased to one in 10.[4]

The 1999 operations in Kosovo illustrate how contractors are used. Before the conflict, the military observers who made up the U.S. contingent of the international verification mission were employees of private companies. During the air war, these employees provided logistics and intelligence. They also constructed and operated refugee camps.[5]

The role of private companies has expanded beyond logistics and support services. Private companies working for the U.S. now train U.S. and foreign troops, provide security, and interdict drugs. The fastest growing area of military privatization is maintenance and operations of high-technology weapons and information systems.[6]

In the 1990s other countries also reduced their military forces. The world's armies shrank by 6 million personnel in that decade.[7] A large number of trained military personnel found themselves out of work. In Russia and South Africa, elite units cut by the government formed private companies. At the same time a flood of low-cost, surplus weapons became available.[8]

Private companies made up of retired military personnel have been hired as mercenaries and consultants on military strategy by governments as well as insurgents. These companies supply their own weapons, and often their own support, including airplanes and helicopters. Only national laws limit the types of weapons they may use.[9]

The market for both battlefield and support services is expected to mushroom. Industry projections prior to the Iraq invasion anticipated the worldwide market for private military services would grow from \$55 billion in 1990 to \$210 billion in 2010.[10]

By some estimates 20,000 military contractors are working in Iraq, not including contractors working on reconstruction

The conservative view:

- Privatization and outsourcing can reduce costs and increase efficiency in the military just as it has in American industry.
- Private military companies offer "surge capacity" on an as-needed basis. This reduces the need to maintain a larger standing military.
- Some operations that are in the U.S. interest are less controversial if carried out by private companies.
- Using the U.S. military for humanitarian or peacekeeping missions distracts from its war-fighting mission. Private companies can handle these kinds of missions in a more timely and cost-effective manner than ad-hoc U.N. forces.

The liberal View:

- Private companies may not be reliable in dangerous circumstances. They are not part of the chain of command and are not subject to orders from field commanders.
- Cost-plus Pentagon contracts give contractors an incentive to inflate rather than reduce costs.
- For private companies, the costs of doing business in a conflict zone increase. This is not the case for the military.
- Replacing non-combat support positions with contractors reduces the number of soldiers available to provide backup.
- There is not a clear system of legal or political accountability for contractors.

projects. Private companies may be responsible for as much as 30 percent of our military activities in Iraq.[11]

In Iraq, private companies provide logistics, transportation and other support services for troops. They also maintain and operate unmanned aerial surveillance and reconnaissance vehicles. When the U.S. invasion was launched they operated the weapons systems on Navy battleships.[12] Contractors maintain F-117A stealth fighters and B-2 stealth bombers.[13] Private companies provide translators, interrogators, and training for Iraqi security forces.[14]

Contractors provide security for civilians and supply convoys. According to the Coalition Provisional Authority there are at least 20,000 employees of more than 60 private security companies working in Iraq, and more are expected to arrive as reconstruction work picks up.[15]

The question

Should the U.S. rely on private companies to provide military services?

The conservative perspective

Conservatives maintain that privatization and outsourcing can reduce public spending and increase efficiency. They argue that outsourcing made American industry more competitive in the 1990s, and it can do the same for the military.[16] According to one Cato Institute policy analyst, "In all its purchases, DoD, like the commercial sector, should focus on getting the best value for each dollar spent instead of focusing excessively on performance." [17] A report from the Defense Science Board estimates that by changing the way it does business, outsourcing and working more closely with the private sector, the Department of Defense could save \$30 billion annually.[18]

Conservatives argue that private military companies offer "surge capacity". They can be mobilized on short notice to add to military capabilities. Without these companies and that capacity, the U.S. would have to maintain a much larger standing military.[19]

Conservatives maintain that while contractors' pay may seem high, it is cost-effective because they are paid only when needed. Moreover, they argue that when comparing costs one needs to take into account the significant benefits received by enlisted personnel. The average cash compensation to active-duty service members in 2002 was \$43,000, but the average total compensation including cash and non-cash benefits was \$99,000 (health care, housing, community services, retirement pay and veterans' benefits).[20] The Congressional Budget Office estimates that the reduction in the number of armed forces since the late 1980s has reduced retirement fund payments alone by nearly \$12 billion.[21]

Conservatives argue that it is efficient to contract the operation and maintenance of sophisticated weapons systems to the companies that invented them. Rather than managing multiple contracts for a weapons systems, its parts and maintenance, the military can manage one vendor who is responsible for meeting performance goals.[22]

Conservatives also maintain that private companies can provide assistance in areas where the U.S. has interests but where it would be politically difficult to send in U.S. troops. A private company held off rebel uprisings in Sierra Leone from 1995 to 1997.[23] Nigerian peacekeepers restored order in Liberia in the mid-1990s, with the help of U.S.-financed logistical support from an American company. The U.S. has funded anti-narcotics operations by private companies in Colombia since 1998. In Kosovo, private companies provided peacekeepers so the U.S. did not have to call up the National Guard.[24]

Not only are these types of operations less controversial when carried out by private companies, they are less costly. Private company operations in Sierra Leone cost about 4 percent of the costs of a subsequent U.N. peacekeeping operation.[25] It is estimated that the intervention in Liberia would have cost 15 times more if U.S. troops were used.[26]

Conservatives argue that private companies could improve the quality of U.N. missions. The U.N. is slow to deploy peacekeeping troops and the troops are often poorly trained and under-equipped soldiers from developing countries. A private company claimed that it could have intervened to stop the killing in Rwanda within 14 days of hire at a cost of \$600,000 per day. The U.N. operation took much longer, cost \$3 million per day and did not stop the genocide.[27] A subsequent U.N. report emphasized the importance of rapid deployment and on-call expertise for peacekeeping operations.[28]

Conservatives maintain that private companies can provide security for non-governmental organizations (for example, the Red Cross and Doctors Without Borders), enabling them to do important work in dangerous places. Violence against relief workers greatly increased during the 1990s. In 1998, for the first time, more U.N. staff died providing humanitarian relief than on peacekeeping missions. Private companies can fill the "security gap" when countries are unable to provide security for aid agencies.[29]

Conservatives argue that employing the military for non-combat operations weakens the military by distracting from its core mission of fighting wars abroad. During the 1990s, the U.S. military was often deployed in response to ethnic conflicts and collapsed national governments. One former Chairman of the Joint Chiefs of Staff noted that over this time, "our response to the strategic environment has placed a wide range of demands on the U.S. military" resulting in "imbalance between strategy, force structure and resources." [30] Condoleezza Rice justified withdrawing U.S. troops from the Balkans because peacekeeping missions were "harming morale and reenlistment rates, weakening our military's core mission." [31]

Conservatives argue the military should not be used in actions that are not fundamental to national security, such as drug interdiction and nation building. Since the 1990s there has been a trend toward civilian authorities directing the military to undertake such tasks. This demonstrates a lack of understanding of the purpose of military forces, which is, according to one scholar of security studies, "to destroy things and kill people." [32] According to the U.S. Commission on National Security, "If these trends continue, a small professional military will stand increasingly apart from the country and its leaders." [33] This threatens the country's ability to maintain an apolitical military that serves under the direction of civilian leadership. [34]

The liberal perspective

Liberals argue that many of the activities contractors are performing are too important to entrust to private companies, which are motivated by profit above all else. They maintain that the evidence does not prove that the use of private companies saves money. And they argue that privatization undermines political and legal accountability.

Liberals point to concern among military commanders that private companies may be unwilling or unable to provide needed services in danger zones. U.S. troops suffered through months of unnecessarily poor living conditions because contractors refused to go into danger zones.[35] A contractor hired to train the Iraqi military did such a poor job that the Jordanian army had to be called in for assistance.[36]

Worse yet, Iraqi soldiers who underwent basic training conducted by private contractors refused to fight in support of U.S. Marines in the April 2004 siege of Fallujah. U.S. military officials concluded it had been a mistake to have private contractors conduct basic training and ordered a wholesale revision of the training system. This delayed the deployment of Iraqi army units, leading directly to a shortage of Iraqi troops to assist in fighting the insurgency.[37]

Liberals point out that no systematic study of the cost-effectiveness of military privatization and outsourcing exists because there has not been adequate oversight or auditing of military contracts.[38] There is reason to believe that outsourcing may not be cost effective. Pentagon contracts are often awarded with limited or no competition. And they are awarded on a cost-plus basis, under which contractors have an incentive to inflate costs.[39] (A BusinessWeek correspondent asks, "Why take a 2% profit – about what the margins are for Halliburton on its Iraq work – on \$100 of costs when you can take 2% on \$200 of costs?"[40])

Liberals note that cost-plus contracts allow companies to bill the government for the cost of hiring private security companies, which have skyrocketed in recent months. Private security employees can make \$500 to \$1500 per day, compared with infantry soldiers' wages that are around \$70 per day.[41] And the cost of employing contractors of any kind increases during war. For example, insurance rates for civilian contractors increased by 300 to 400 percent in the period leading up to the invasion of Iraq.[42]

Liberals point out that although replacing military cooks with civilians might save money, it risks lives. Unarmed support contractors cannot defend themselves, nor can they provide backup. Service members in non-combat positions receive military training and may be called to fight, as they were in the Battle of the Bulge during World War II.[43]

Liberals argue that outsourcing non-combat positions leads to a military that is less diverse in race and gender. African-Americans are underrepresented in direct combat specialties relative to their overall numbers in the military, and overrepresented in combat-support and administrative specialties.[44] Non-combat positions are also the only ones open to women without restriction.[45]

Liberals point out that there is little distinction between the roles of soldiers and military contractors. Contractors are almost invariably armed, and there is no way to distinguish between contractors and soldiers, or armed contractors and unarmed contractors.[46] Contractors have been awarded battlefield commendations, including the Purple Heart and the Bronze Star.[47] But soldiers and contractors are distinct in two important ways. First, the government does not track civilian deaths as it does soldiers. It is believed that more than 50 contractors have died in Iraq, but the true number is unknown.[48]

Second, contractors are not subject to orders from battlefield commanders because they are not part of the military chain of command. This means that contractors cannot be ordered into battles, and nothing but their employment contracts prevent them from leaving. The Ghurka Security Guards, who currently hold the contract for guarding the Coalition Provisional Authority, broke their contract with the Sierra Leonian government in 1994 when their commander was killed in a rebel ambush. The government was unable to continue fighting the rebels until it hired a new company.[49]

Liberals maintain that military contractors are often legally unaccountable. They are not subject to the Uniform Code of Military Justice, as soldiers are. In general they are subject to the laws of the country they operate in, but in Iraq, for example, the Coalition Provisional Authority (CPA) issued an order providing immunity from Iraqi law for actions by contractors or their employees in the course of their official activities.[50] The laws under which an American civilian contractor might be prosecuted for actions abroad are restrictive and have never been tested.[51]

Legal accountability becomes even more difficult if the contractors are not U.S. citizens, or if the country they work in does not have a functioning legal system (as is often the case when there is conflict or a humanitarian crisis). Under these circumstances, contractors are accountable only to the organization that pays them.[52]

Liberals say private military companies fill a demand for security that would otherwise be met by increasing the number of U.S. troops deployed, or by convincing allies to send troops. The availability of contractors allows policymakers to undertake or continue military activities without the support of Congress, the American people, or U.S. allies.

Liberals maintain that leaders can avoid normal constraints on foreign policy by sending a private company, but the consequences of this may be serious. The U.S. circumvented an arms embargo on the Balkans by encouraging the Croatian government to contract for military training with a private company, MPRI, made up of retired American officers. With a stronger military, Croatia was able to push the Serbs into peace negotiations. But the newly trained military also uprooted 150,000 to 170,000 Serbs from their homes in a bloody campaign of ethnic cleansing.[53]

Note and Sources

■ **A note on internet sources**

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[2] In 2003 military spending had risen back to over \$400 billion. Center for Strategic and Budgetary Analysis, *Department of Defense Budget Authority by Title*, April 2002.

[3] Congressional Research Service, *Defense Acquisition Reform: Status and Current Issues*, IB96022, November 8, 2001.

[4] Peter W. Singer, "Corporate Warriors: The Rise and Ramifications of the Privatized Military Industry," *International Security*, 26(3) Winter 2001/2002.

[5] Ibid.

[6] Thomas Adams, "The New Mercenaries and the Privatization of Conflict," *Parameters*, 29(2) 1999.

[7] Peter W. Singer, 2001, *Op. Cit.*

[8] Ibid.

[9] Peter W. Singer, "**Warriors for Hire in Iraq**," *Salon*, April 15, 2004.

[10] Laura Peterson, "Privatizing Combat, the New World Order," The Center for Public Integrity, 2002.

[11] Deborah Avant, "The Outsourced War is Here to Stay," *Business Week*, May 24, 2004.

[12] Peter W. Singer, "War, Profits, and the Vacuum of Law: Privatized Military Firms and International Law," *Columbia Journal of Transnational Law*, Spring 2004.

[13] Amy Butler, "Loggies v. Contractors," *Air Force Magazine: Journal of the Air Force Association*, 84(1) January 2001. Increasingly, contracts for new military technology are developed under an outsourcing concept called Total System Performance Management. Under these agreements, the company that designs and builds the technology receives a contract for 90 percent of the funds allocated to system support and maintenance.

[14] CNN, "**High pay – and high risks – for contractors in Iraq**," April 2, 2004.

[15] Mary Pat Flaherty, "**Private Guards Status Outlined by Pentagon**," *Washington Post*, May 5, 2004.

[16] Paul Taibl, **Outsourcing and Privatization of Defense Infrastructure**, Business Executives for National Security, March 1997.

[17] Ivan Eland, **Reforming a Defense Industry Rife with Socialism, Industrial Policy, and Excessive Regulation**, Cato Policy Analysis No. 421, December 20, 2001.

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[19] Doug Brooks, **Contractors Face Iraq Combat**, PBS NewsHour, April 6, 2004.

[20] Congressional Budget Office, **Military Compensation: Balancing Cash and Noncash Benefits**, January 16, 2004.

[21] Ibid.

[22] Amy Butler, 2001, *Op. Cit.*

[23] Sebastian Malaby, "**Paid to Make Peace**," *Washington Post*, June 4, 2001. Americans have been reluctant to send U.S. troops into Africa since the 1993 intervention in Somalia.

[24] Stephen Fidler and Thomas Catan, "**Private companies on the frontline**," *Financial Times (London)*, August 11, 2003.

[25] Ibid. See also Steven Mufson, "U.S. Backs Amnesty in Sierra Leone," *Washington Post*, October 18, 1999. The president of Sierra Leone contracted with Executive Outcomes, a now defunct military company, to fight rebels from 1995 to 1997. After a peace was negotiated, the government ended its contract with the company under pressure from the World Bank and International Monetary Fund. There was a coup three months after the mercenaries left, and the new government held power through terror, including amputating the limbs of civilians. After almost two years, a Nigerian-led force was able to gain control of most of the country, and 6,000 U.N. peacekeepers were deployed.

[26] Fidler and Catan, 2003, *Op. Cit.*

[27] Peter W. Singer, "**Peacekeepers, Inc.**," *Policy Review*, June 2003.

[28] **Report of the Panel on United Nations Peacekeeping Operations**. August 2000.

[29] The Politicization of Humanitarian Action and Staff Security: The Use of Private Security Companies by Humanitarian Agencies, ***International Workshop Summary Report***, Tufts University, Boston, MA, April 2001.

[30] General Henry H. Shelton, quoted in Eugene B. Smith, "The New Condottieri and U.S. Policy: The Privatization of Conflict and Its Implications," *Parameters*, Winter 2002/2003.

[31] Steven Holmes, "The 2000 Campaign: Foreign Policy," *New York Times*, October 22, 2000.

[32] David Isenberg, "**A Cumbersome Gap**", IntellectualCapitol.com, December 9, 1999.

[33] United States Commission on National Security, ***New World Coming: American Security in the 21st Century***, September 1999.

[34] See Charles J. Dunlap, Jr., ***Melancholy Reunion: A Report from the Future on the Collapse of Civil-Military Relations in the United States***. USAF Institute for National Security Studies Occasional Paper 11, October 1996. See also Isenberg, 1999, *Op. Cit.* "Many people, albeit well intentioned, due to their exasperation over the seeming inability of civilian authorities to get things done ('to make the trains run on time,' to use Mussolini's classic formulation), have often called for military involvement in issues like domestic law enforcement... interdicting drugs, domestic youth programs, nation-building and humanitarian and peacekeeping missions abroad. The fact that [a retired Army general] is drug czar should cause everyone to gulp uneasily."

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[36] *Ibid.*

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[39] Peter W. Singer, "**The Enron Pentagon**", *The Boston Globe*, October 19, 2003.

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[43] "Marching bands, cooks, command staffs, anyone who could carry a rifle was put into the front lines." Jason McDonald, ***The Ardennes Offensive, December 16, 1944 – January 30, 1945***, World War II Multimedia Database, 2000.

[44] Margaret C. Harrell et al., ***Barriers to Minority Participation in Special Operations Forces***, Rand National Defense Research Institute, 1999.

[45] Diane H. Mazur, ***Why Progressives Lost the War When they Lost the Draft***,

[46] Seth Borenstein, "Pentagon rule would ban contractors from carrying guns in Iraq," Knight Ridder Tribune News Service, April 28, 2004. See also Ariana Eunjung Cha and Renae Merle, "**Line Increasingly Blurred Between Soldiers and Civilian Contractors**," *Washington Post*, May 13, 2004. Often the only way to distinguish contractors from U.S. soldiers is that instead of their last name on their uniform, it says "DOD CONTRACTOR" or "DOD CIVILIAN."

[47] Cha and Merle, 2004. *Op. Cit.* The Pentagon later said that the commendations were awarded in error and would be revoked.

[48] Sue Pleming, "**Security and insurance costs soar in Iraq**," *Forbes*, May 6, 2004.

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[50] Permission from the Administrator of the CPA is required to prosecute contractors for acts performed outside of their official duties. Coalition Provisional Authority Order Number 17. Status of the Coalition, Foreign Liaison Missions, their Personnel and Contractors Human Rights Watch argues that war crimes and torture are not protected by immunity agreements and could be prosecuted by Iraqi courts. Human Rights Watch. ***Private Military Contractors and the Law***. April 29, 2004.

[51] Singer, "War, Profits, and the Vacuum of Law", 2004, *Op. Cit.*

[52] *Ibid.*

[53] Deborah Avant, 2004, *Op. Cit.*



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