WAR MARKETS: THE NEOLIBERAL THEORY
AND THE UNITED STATES MILITARY

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Abstract

The neoliberal theory threatens permanent damage to American democracy. One guiding principle of theory is that the political marketplace is guided by market rationality. Also concentration of power resets with business and governing elites. As business norms begin to dominate politically, democratic ideals and laws equate only to tools and hurdles. Can the neoliberal theory help explain the situation of privatization and our military? Since the end of the Cold War, military size has been reduced, however, the need for military presence has not. The private war industry has begun to pick up the slack and private contractors have increased in areas needing military support. In Iraq, contractors make up the second largest contingent force, behind the U.S. military. Blackwater, or currently Xe Services LLC, is a powerful organization within the private war industry. Blackwater has accumulated over one billion dollars in contracts with the U.S. government. With the expanding use of private war contractors, their constitutionality comes into question. There is much legal ambiguity within the industry and not much effort has been made by Congress to conduct oversight. Their future looks bright, but without oversight, dangerous repercussions will occur.
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Chapter 1

Introduction

Privatization has become a common theme in our present democracy. Privatization, in particular, and the neoliberal theory, in general, thrives in weak democracies. Weak democracies are created when citizens are marginalized, believing the only form of political participation is voting. Without public scrutiny this neoliberal theory can surpass democracy. Public scrutiny provides surveillance and protects our democratic ideals. A strong democratic foundation keeps the neoliberal theory at bay.

The United States government fosters political pluralism, diversity within politics. However, in a neoliberal system of government pluralism does not exist. Inherent is the need for productivity and profitability, reducing the average citizen to a consumer and the politician to a client.

From education to prisons, private corporations have begun to take away public influence. A subservient state is inherent within neoliberal ideology, reducing the state’s responsibilities and allowing the market to gain control; privatization creates the stage for a neoliberal system. In addition to curtailing state influence, voters will in the end be voting for the same platform for either party. Political parties exemplify the beliefs of the dominant neoliberal ideology, effectively dismantling competitive politics and political pluralism. This sets a dangerous precedent in a democracy.

Presently, privatization has begun to creep into the military section of our government. These privatization schemes represent a manifestation of neoliberal theory. Reduced state intervention and market rationality develop among the participants, who seek “to secure private property rights and to support freely functioning markets”
(Harvey, 2006, p. 145). Political participation by citizens is dismantled within a neoliberal system. The sovereignty of the citizen is basically erased; citizens are reduced to consumers seeking various goods and services (Brown, 2006). This neoliberalism idea has led to the creation of corporations seeking to privatize certain areas of the military.

After the tragedy of September 11, 2001, a policy shift occurred. The Department of Defense began devolving non-core functions to private military companies, such as Blackwater. Blackwater was hired to provide security for the most hated diplomats in Afghanistan and Iraq. They were directed to use any means necessary to protect these diplomats. Oversight and accountability issues obviously ensued. Nevertheless it was “entrepreneurial business savvy” companies “and favorable governmental policies” that allowed this enormous shift of military policy (Mlinarcik, 2006, p. 131).

However, the use of private war contractors is not a new trend. “References to mercenaries date back more than 4,000 years to soldiers hired by King Shulgi of UR (2094-2047 B.C.)” (Cooper, 2004). The battle of Kadesh (1294 B.C.), the first record of a major conflict, shows that the army Egyptian Pharaoh Ramses II sent against the Hittites contained hired Numidian soldiers (Cooper, 2004). During the 17th century European armies consisted of “highly paid specialized mercenary units” (Cooper, 2004). Mercenary forces during the era of the Thirty Years War (1618-1648) contracted a bad reputation because the forces would be “looting the countryside during the conflict” (Cooper, 2004). It became apparent that those who fought for patriotism rather than profit were much more legitimate. However, paid military units continued to play an important role. “During the American Revolution, the British Government hired some 30,000 mercenaries from the German state of Hesse-Kassel to help quell the colonists’
uprising” (Cooper, 2004). While the use of contractors is not a new trend, the scope and intensity of their use has dramatically changed and increased. Blackwater, or currently Xe (pronounced zee) Services, is one such company that envisions the new breed of private war contractors. The scope of their missions and their direct contact with the White House and State Department has made them an interesting case study.

The ideals within the neoliberal theory can provide an explanation for the enhancement of private military contractors and their ability to enter into these privatized markets. Erik Prince, the founder of Blackwater, thinks of Blackwater’s relationship to the U.S. military as being like Fedex to the U.S. Postal Service – “an efficient, privatized solution to sclerotic and wasteful government bureaucracy” (Pelton, 2007, p. 2). The ability for Erik Prince to tackle emerging markets within the war industry is a startling factor for the U.S. government and the American people.
Chapter 2

Neoliberalism critique

“Neoliberalism seems to mean many different things depending on one’s vantage point” (Clarke, 2008, p. 135). This quote by Aihwa Ong exemplifies the difficulty in defining and applying neoliberalism to our democracy. Neoliberalism’s policy goals within the theory deviate from our current democratic ideals. Advocates believe in reduced state intervention in the economy. However, more importantly, advocates believe in reduced state intervention in other government sectors infiltrated by the neoliberal theory. Within these institutions practices that are market friendly should be established. Participants within a neoliberal system embody and embrace market rationality. These policy goals can obviously be established and conceptualized in different governmental spheres; it is not just an economic issue. Currently the many privatization plans in education, prisons and our military are apparent. The goal is to maximize the role of the private sector.

“Neoliberalism is in the first instance a theory of political economic practices which proposes that human well-being can best be advanced by the maximization of entrepreneurial freedoms within an institutional framework characterized by private property rights, individual liberty, free markets and free trade” (Harvey, 2006, p. 145).

Neoliberalism and Political Participation

“Civil and legal principles securing the political (as opposed to private) autonomy of citizens, such as those enumerated in the First Amendment of the U.S. Constitution, have no place in a neoliberal schema, which means that neoliberal political rationality features no intrinsic commitment to political liberty” (Brown, 2006, p. 695). The political autonomy of the citizenry is basically erased. Citizens are reduced to individual
consumers seeking goods (Brown, 2006). Eventually, choosing political representatives will effectively become equal to choosing a new television. Democratic polices are overridden by market oriented policies and practices.

The Bill of Rights was adopted to protect the American people from tyranny. Neoliberalism seeks to destroy our fundamental democratic freedoms enumerated in the Bill of Rights. These rights were established to form a more perfect union; they are the citizens’ immunities from a tyrannical government. The Constitution’s vagueness prompted the Founders to create a list of rights that would specifically protect the individual citizen from tyranny. For example, James Madison believed the Bill of Rights would “counteract the impulses of interest and passion,” creating positive effects from government bureaucracy. The First Amendment provides freedom of speech, assembly and petition. Citizens have the right to petition the government when necessary. These rights are eroded within a neoliberal agenda. Advocates view citizens as a commodity. Furthermore, they believe that citizens’ participation should be devolved to that of a consumer.

The Tenth Amendment secures the powers of the State and people. It states “the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people” (U.S. Const. amend. x). Privatization removes power from the State and citizens and confers it upon corporations and CEOs. This removed power inhibits political participation in all its various forms, including protesting, debating and possibly voting. At the very least, political participation creates satisfaction within the citizenry. Neoliberalism degrades political participation in a country that believes in democratic objectives.
Neoliberalism and State Withdrawal

Neoliberalism withdraws the State from many social areas, creating solutions based upon market rationalities. This withdrawal has already begun in many social areas – welfare, schools, prisons, and the military. Private military corporations have bypassed typical areas of regulation and oversight. Prison privatization provides a good example of how regulations and oversight should increase with privatization.

The 1980s began the introduction of private prisons into our penal system. For example, Texas’s (1988) Department of Corrections allowed contracts for four, five hundred bed, medium security prisons for adult males (Harding, 2001). However, the State remains actively and effectively involved for regulation. The privatization boom occurred in part because of the growth in the use of imprisonment (Harding, 2001). This follows in line with the boom that occurred in the private military industry – while the amount of troops was declining the need for military presence was not.

“The future of privatization will revolve around the ability of contracting states to achieve effective public accountability and the ability of the private sector to continue to deliver high-quality correctional regimes that provide excellent value for money” (Harding, 2001, p. 265).

This quote by Harding demonstrates how prison privatization has succeeded where private military industries have failed thus far.

The advocates of prison privatization in the beginning believed it was crucial that specific legislation should be established. Private prison authorities must specify their desired outcome of the privatization. However, private authorities are not able to write their own contract, public authorities specify demands and expectations. Where private military contractors are fired for misconduct, modern prison contracts impose monetary penalties for disturbances in the contract (Harding, 2001). Penalties in Texas encompass
deductions in their listed monthly payment. A contract compliance monitor who works directly on site performs additional oversight of conduct (Harding, 2001). However, this additional oversight has variability. Some states argue that they could not afford these monitors even though it was provided for in their contract. Prison privatization encompasses many oversight variables that the private military industry should enlist. Especially crucial, in my opinion, are the penalties for failure to comply with their contract. Being fired for misconduct is just a slap on the wrist; judicial action must be taken to create change.

Accountability within prison privatization is superior as well. Those who write prison privatization policies realize that a key component of accountability relies upon the qualifications of the personnel. In addition, the realization that contracts must be publicly available should be greatly appreciated by the public. Publicly available contracts allow debate and can create pressure for the private prisons to ensure compliance.

Additional accountability occurs with external organizations such as the American Civil Liberties Union (ACLU). At their disposal for litigation are the fourth, fifth, eighth and fourteenth amendments. When court cases arise the company, not an individual, is considered the defendant. In recent private military litigation, individual contractors have been the defendants. If companies begin to become defendants, I think more oversight will be pushed upon their contractors.

Private prisons are required to obtain American Correctional Association accreditation within a specified time after they are established. Private prisons bypass
public prisons with this specification – more than 20% of public prisons do not have the accreditation, which has been around since 1978 (Harding, 2001).

While prison privatization looks well established there can always be room for improvement. When contracts don’t comply with standards, the United States authorities have cancelled them (Harding, 2001). In addition, labor unions fiercely oppose prison privatization. Corrections USA (CUSA), a coalition of United States and Canadian prison officers, picketed the corporate headquarters of a private prison company (Harding, 2001). Another labor union, Corrections and Criminal Justice Coalition, claims that 200,000 officers support an anti-privatization campaign (Harding, 2001).

Prison privatization may be well established, however, they are not directly affecting another structure. Privatizing military operations can affect the military’s daily schedule. These private military corporations must align their agenda with the United States military’s agenda.

The military has denounced private military corporations and claimed that they interfere with day-to-day operations. In addition, the recent “criminal” actions of contractors have interfered with winning the hearts and minds of the Afghanistan and Iraq citizens, which is a key policy the military is utilizing in counterinsurgency operations. However, these private military corporations support the troops in many areas that are understaffed with soldiers. The government must take charge in assuming that the Defense Department and the Pentagon who contract these corporations will provide accountability and oversight. Harding (2001) brings privatization risks into perspective with this quote, “the government, when privatizing activities, are often tempted to reduce regulatory resources at the same time” (p.341).
Political and public life then begins to be devolved into the private sphere. This market rationality is eroding the norms previously held by these democratic institutions. The role of governance becomes severely limited. The corporations and CEOs command their private war contractors, not the governmental department that employed them – accountability and oversight is blurred. The Defense Department and Pentagon contract them, but currently there is no oversight being provided. The lack of accountability and oversight has created a shield for “elite groups to pursue their own narrow interests” (MacEwan, 1999, p. 6).

The judicial branch, by using their power in the checks and balances system, must begin to transform their rights into actions. The judiciary must declare as unconstitutional the laws and acts that enumerate this neoliberal agenda. By declaring certain acts unconstitutional, the judiciary can provide oversight. Judicial oversight can begin restraining these neoliberal actions of the branches. The American people should be wary. Elite groups, such as private military corporations, are not the only ones shielded by this neoliberal agenda. Our own government has the ability to order covert operations through these corporations that would otherwise be opposed by the public.

**Business Firm Rationality**

The central government begins to resemble a business firm within a neoliberal system. As seen in the previous paragraph, the government becomes a client of these private military corporations. Eventually other public functions, such as campaigns and foreign diplomacies, could become privatized and begin to operate like businesses. These relations will be all motivated by financial gain – democratic principles start to
resemble the business criteria of productivity and profitability. The checks and balances of our democracy are replaced by business criteria. “Democratic principles and the rule of law are neither guides nor serious constraints but rather tools or obstacles” (Brown, 2006, p. 695). The State will no longer rely on limitation through democratic accountability and oversight. The Constitution and Bill of Rights are just obstacles – interpreted to adapt to these changing circumstances within neoliberalism.

Within this business model a complicated distribution of authorization develops. For example, Eric Prince, the founder of Blackwater, has contracted a lot of power (and money) from the federal government for Blackwater’s operations in Iraq and around the globe. This private authority will become more apparent in a neoliberal scheme because previous federally funded infrastructure is devolved to CEOs and their corporations. The consequence of the federal government becoming a business is that political discussions become market negotiations. “Business people replace lawyers as the governing class in liberal democracies and business norms replace juridical principles” (Brown, 2006, p. 664). This development already is present in the private military industry; contractors are currently under no judicial oversight. The worst punishment that can happen to them is they will be fired for misconduct. Productivity and profitability harm our democratic principles and filter accountability and oversight out of the central government (Brown, 2006).

**Protection of Democracy**

Neoliberalism can be “conceptualized as a new relationship between government and knowledge through which governing activities are recast as nonpolitical and
nonideological problems that need technical solutions” (Clarke, 2008, p. 142). It is apparent that this theory manifests itself within the political sphere; it does not arise out of economics alone. Neoliberalism can adapt itself according to the sphere in which it manifests itself. Each area can develop different policies, however, all correspond to the neoliberal agenda. While manifesting in different sectors of politics, this theory does not correspond to a certain political party. This is possible through the governing capabilities of neoliberalism; the theory presupposes a “nonpolitical and nonideological” stance (Clarke, 2008, p. 142). The neoliberal theory should then be studied as mobile; the resemblance of one sphere’s influence differs from another (Clarke, 2008). The initiative of productivity and profitability should worry the federal government because “economic growth will be most rapid when the movement of goods, services and capital is unimpeded by government regulations” (MacEwan, 1999, p. 31).

To be successful, solutions to the problems caused by neoliberalism shall incorporate the idea that democracy is valuable. Citizens need to put themselves in power so they have the ability to exercise political power in their economic and private lives. They must not get sucked into the consumer mentality. Programs that allow citizens to exercise power are impeded by the neoliberal theory where everything is left to the market. The act of strengthening democratic institutions can result in more popular participation leading to a more pluralist society, eliminating the market rhetoric of neoliberalism. Participation is a key democratic ideal. Participation in a democracy helps create the ideals of social institutions. “Democracy is an effective means by which to obtain material well-being for society” (MacEwan, 1999, p. 2). The neoliberal theory can be kept at arm’s length with a strong democratic foundation. However, it should be
mentioned that the theory is much stronger as rhetoric than reality. Truly neoliberal regimes are not apparent today.
Chapter 3

History of Private War Contractors

Throughout history private war contractors have been utilized. Doug Brooks, a supporter of contractors and President of the International Peace Operations, illustrates this reality. “There has never been a war or time in history when private contractors haven’t been used for one thing or another” (Cooper, 2004). However, what he does not mention is the scope at which they were used compared to now. Military outsourcing in the United States began in 1973 near the end of the Vietnam War (Cooper, 2004). This was mainly due to the fact that officials discontinued the draft and contractors (corporations) were able to begin obtaining jobs previously held by draftees. British Prime Minister Margaret Thatcher and President Ronald Reagan in the 1980s “promoted the privatization of certain military functions and other government work” (Mlinarcik, 2006, p. 131).

Succeeding administrations have kept this idea alive; in 1998 Congress enacted the Federal Activities Inventory Reform Act. This act enables private companies the ability to bid annually on functions that government agencies decide are not essentially governmental functions (Mlinarcik, 2006). The increased use of contractors correlates with three distinct features occurring within the 1990s: “the end of the Cold War, transformations in the nature of warfare that blurred the lines between soldiers and civilians, and a general trend toward privatization and outsourcing of government functions around the world” (Singer, 2005, p. 120). The end of the Cold War, in particular, reduced the overall size of the United States military. However, the need for military presence continued in “the first Persian Gulf War to Somalia, Haiti, Bosnia and
Kosovo” (Mlinarcik, 2006, p. 132). During the first Gulf War there was one contractor for every fifty soldiers on the battlefield.

The increase in private military contractors is apparent in the amount of money the Defense Department spent between 1993 ($100.5 billion) and 2004 ($188 billion); it is an increase of nearly ninety percent (Cooper, 2004). Some congressional leaders are worried about the secrecy that surrounds Defense Department contracting. Specifically they are concerned that most of the billion dollars spent has been through no-bid contracts. Today analysts predict that there are about 20,000 private military contractors in Iraq, up from 2,000 that were used in various capacities in 2000 (Cooper, 2004). However, only 6,000 are working in non-combat jobs. Other armed personnel serve as guards, convoy escorts and bodyguards for U.S. officials in Iraq. Blackwater is one such company.

**Accountability and Oversight Issues**

The private military industry is quickly becoming a $200 billion per year industry. Contractors are currently significant, not only in Iraq, but also in the War on Drugs in Colombia and surrounding countries. About six companies “receive up to $1.2 billion a year from the Pentagon and the State Department to fly the planes that spray suspected coca fields and to monitor smugglers from remote radar sites” (Schwartz, 2003). The scale and scope of activities provided by the private military industry is quickly changing, the usage is not just for “conventional” war.

Private military corporations within Iraq encompass various tactical and guard operations. Various tactical operations performed by contractors are field training United
States troops, maintaining and loading sophisticated weapons and helping operate combat systems, such as the Army’s Patriot missile batteries and the Navy’s Aegis missile-defense system (Singer, 2005). Representative Jan Schakowsky of Illinois stated, “There’s a great lack of transparency when you contract out, yet if something happens, we’re supposed to use our military to go in and rescue them and get involved in other conflicts” (Schwartz, 2003). Military policy has yet to catch up with this reality Representative Schakowsky presents. Conduct codes followed by the military are not presupposed to private military contractors. However, many companies do agree that the industry can benefit from oversight. Obviously, some companies would argue certain proposals go too far.

When discussions occur on oversight, the United States government must remember that they are not the only clientele group. Contractors have worked in “more than 50 nations, on every continent but Antarctica” (Singer, 2005, p. 120). European militaries have utilized private contractors in sections in which they lack sufficient military capabilities. Private military contractors have evolved from mercenaries into “businesses that provide governments with professional services intricately linked to warfare” (Singer, 2005, p. 119).

**Private War Contractors and the Pentagon**

In the last decade the Pentagon has awarded over three thousand contracts to private military companies. These contracts are dependent on tax dollars from American citizens, who are kept in the dark about operations. The Pentagon, in an effort to become modernized and more efficient, has been outsourcing all tasks that take away from the
military’s “core competency: fighting” (Schwartz, 2003). Following September 11, 2001, an internal Department of Defense study concluded that, “any function that can be provided by the private sector is not a core governmental function” (Schwartz, 2003). This study exemplifies that neoliberal ideology has been encroaching on governmental policies for a while. “The overwhelming presence of U.S. based companies may be largely attributed to entrepreneurial business savvy and favorable governmental policies” (Mlinarcik, 2006, p. 131). The covertness of military contractors allows the government to employ them in areas that would not be possible because of public scrutiny and lack of support. The private military contracts from the Pentagon and Defense Department are protected from the Freedom of Information Act (Singer, 2005). The reduced transparency created by these private means is detrimental to our democracy.

Not only are these contractors detrimental to our democracy, they can possibly be detrimental to our military and judiciary. Contractors remain outside military obligations; they are not bound to complete a tour of duty like soldiers are bound to do. If service becomes too dangerous and cumbersome, contractors have the ability to walk away.

The legality of these corporations and contractors is vague. The Abu Ghraib prisoner abuses raised questions about the legal atmosphere around contractors. Other than military personnel present, “all of the translators and up to half of the interrogators” were private contractors employed by either Titan or CACI (Singer, 2005, p. 125). The Army’s study shows that military contractors “were involved in 36% of the proven cases” (Singer, 2005, p. 125). The U.S. Army has tried the soldiers involved in these cases. Yet not one contractor has been involved in any kind of legal consequence. These legal
implications exemplify that the military has been affected by neoliberal practices. The identity of the military itself has succumbed to the market. Some think positively about these firms because they provide retired military personnel another job in the same arena in which they have grown accustomed. The ones who think negatively about the firms believe that the “boom could endanger the health of their profession and resent the way these firms exploit skills learned at public expense for private profit” (Singer, 2005, p. 125).
Chapter 4

Blackwater Case Study

“Founded in 1998 by former Navy Seals, Blackwater Worldwide says it has trained tens of thousands of security personnel to work in hot spots around the world” (Blackwater Worldwide, 2011).

“From its original Iraq contract to late 2007, Blackwater had won $1 billion in ‘diplomatic security’ contracts through the State Department alone” (Scahill, 2007, p. 13). The actual number of contracts is not specifically known. Blackwater has upheld its contracts to the fullest, to keep the most hated U.S. officials alive by any means necessary; zero of the officials Blackwater has protected have been killed (Scahill, 2007). However, “by any means necessary” is the statement causing trouble. Blackwater has been involved in at least ten deadly shootings from June 2005 to September 2007. Instead of winning the hearts and minds of the citizens in Iraq and Afghanistan, Blackwater is brutalizing and striking fear. Their deadly background is changing the scenery, where Blackwater guards are becoming targets rather than the diplomats they are supposed to be protecting. Erik Prince, the founder of Blackwater, enjoys reminding those who interview him that, “the American Revolution would have failed without private militias raised by wealthy landowners” (Pelton, 2007, p. 3).

Baghdad’s Bloody Sunday

One particular massacre involving Blackwater caught the attention of Congress and convinced its members to finally begin oversight. Baghdad’s Bloody Sunday, or the Nisour Square incident, left seventeen Iraqis dead and more than twenty wounded. The
chaos lasted about fifteen minutes. There are competing claims by Blackwater and the Iraqis about what exactly took place. The Iraqis explain that Blackwater convoys fired randomly throughout Baghdad Square. One Iraqi police officer recalled people attempting to flee their vehicles only to be targeted and shot. Also Iraqi reports indicate that no one initiated shots toward the Blackwater envoys, a claim highly disputed among Blackwater guards. Blackwater guards say they “initially opened fire on the vehicle because it was speeding and would not stop” (Scahill, 2007, p. 5). This claim is disputed among many witnesses and aerial photos show the car not even entering the traffic circle.

Among Blackwater guards there was miscommunication as well. “One or more” Blackwater guards were seen arguing during the massacre (Scahill, 2007). In addition, a “cease-fire” was supposedly called out several times by Blackwater guards (Scahill, 2007). The Blackwater Corporation claims its forces “acted lawfully and appropriately.” Witnesses further described “gunfire coming from Blackwater’s Little Bird Helicopters” (Scahill, 2007, p. 6). Completely innocent civilians were killed; those who attempted to flee their vehicles were targeted. The entirety of the incident lasted about fifteen minutes, until Blackwater set off a smoke bomb, “perhaps to give cover for the Blackwater convoy to leave, a common practice of security convoys” (Scahill, 2007, p. 8). The vehicle that initiated the shooting from Blackwater had “forty bullet holes” in it (Scahill, 2007). The victims in that vehicle were Ahmed Hathem al-Rubaie and his mother, Mahasin. Jawad, the father and husband of the victims, never claimed the vehicle “because he wanted ‘it to be a memorial to the painful event caused by the people who, supposedly, came to protect us’” (Scahill, 2007, p. 6).
This statement by Jawad raises the problem the military has with private contractors. While the United States Army is attempting to win the hearts and minds of the Iraqi people, forces like Blackwater are getting involved in incidents that affect the Iraqis’ perception of the United States. Iraqis, like Jawad, then generalize Blackwater into a force that is there to protect them, however, Blackwater is doing just the opposite, protecting diplomats. “In less than twenty-four hours, the killings at Nisour Square would cause the worst diplomatic crisis to date between Washington and the regime it has installed in Baghdad” (Scahill, 2007, p. 9). In response to budding investigations after the massacre, Erik Prince, the founder of Blackwater, was asked how he slept. “How can I sleep? Because I’m comfortable, and I know what we’re doing. We’re doing the right thing, so beyond that, I can’t worry. I sleep the sleep of the just. I’m not feeling guilty.” (Scahill, 2007, p. 484).

**Bush Administration and Blackwater**

The State Department and the Bush Administration covered for Blackwater numerous times. “The State Department had ordered Blackwater ‘to make no disclosure of the documents or information regarding its Iraq security contract without written authorization’” (Scahill, 2007, p. 17). This order inhibited proper investigations for the massacre in Nisour Square. In addition, the Bush Administration did not announce an investigation of Nisour Square until two weeks after the incident occurred. Blackwater, unlike other private companies, reported directly to the Bush Administration and not the Pentagon. They were considered “an arm of the administration and its policies” (Scahill, 2007). Former U.S. Administrator to Iraq, Paul Bremer, issued a decree known as Order
17 on June 27, 2004. This decree, “granted sweeping immunity to private contractors working for the United States in Iraq, effectively barring the Iraqi government from prosecuting contractor crimes in domestic courts” (Scahill, 2007, p. 15). After the Nisour massacre, Bush announced that, “Blackwater provides a valuable service, they protect people’s lives. And I appreciate the sacrifice and the service that Blackwater employees have made” (Scahill, 2007, p. 18). At this time however, what was evident to the Bush Administration was how important Blackwater was to their ongoing military operations in Iraq.

**Rumsfeld Doctrine: The Enabler**

“We must 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” (Scahill, 2007, p.54). This statement became known as the Rumsfeld Doctrine. The doctrine enabled private contractors the ability to enter into warfare. This doctrine is completely synonymous with neoliberal rationalities. Once the Bush Administration took power a change occurred in the Pentagon, it was “stacked with ideologues and with former corporate executives – many from large weapon manufacturers” (Scahill, 2007, p. 53). This overlooked occurrence helped pave the way for the privatization and outsourcing that has occurred within the United States military.

“The new civilian leadership at the Pentagon came into power with two major goals: regime change in strategic nations and the enactment of the most sweeping privatization and outsourcing operations in U.S. military history – a revolution in military affairs. After 9/11 this campaign became unstoppable” (Scahill, 2007, p. 53).
Practically overnight, this unknown company from Moyock, North Carolina would become an integral component of the Rumsfeld Doctrine.

Erik Prince, the mastermind of Blackwater, speaks in sync with the transformation that is occurring. “When you ship overnight, do you use the postal service or do you use FedEx? Our corporate goal is to do for the national security apparatus what FedEx did to the postal service” (Scahill, 2007, p. 55). Blackwater was given this opportunity when the White House outsourced the protection of U.S. diplomats to Blackwater in 2003. This outsourcing occurred with basically no public debate. However, this company, and other companies like it, gathers their profits from taxpayers to whom they are essentially unaccountable. Michael Ratner, president of the Center for Constitutional Rights, has stated that “the increasing use of private contractors, private forces or some would say ‘mercenaries’ makes wars easier to begin and to fight – it just takes money and not the citizenry” (Scahill, 2007, p. 60). This bold statement completely makes sense because the outsourcing began with essentially no public debate and just U.S. taxpayers’ money.

The dominant business quality evident within Blackwater’s business practices “is the company’s ability to take advantage of emerging war and conflict markets” (Scahill, 2007, p. 450). Erik Prince states his hero as being a businessman, not a decorated soldier or intelligence agent; “Alfred Sloan, the man who originally built GM into one of the world’s largest and most profitable corporations” (Pelton, 2007, p. 2).

After Hurricane Katrina hit in 2005, Blackwater forces arrived in New Orleans before most federal agencies. Within a week of Blackwater’s deployment to New Orleans the federal government officially hired them (Scahill, 2007). This serves as an
excellent example of their proactive business approach to emerging markets. Within a year, Blackwater acquired “more than $70 million in federal hurricane related contracts” (Scahill, 2007, p. 61). Critics of this development believe a domestically acting Blackwater, with significant domestic interests, will eventually weaken U.S. democracy. Michael Ratner, a critic of Blackwater and the private war industry, stated that, “these kind(s) of paramilitary groups bring to mind Nazi Party brownshirts, functioning as an extrajudicial enforcement mechanism that can and does operate outside the law” (Scahill, 2007, p. 61). Ratner exemplifies the scary side of contractors gaining power and the harm it can do to our democracy. It is evident as demonstrated with the incident in Nisour Square that Blackwater has no problem operating outside the law. The Rumsfeld Doctrine has begun to open doors for Blackwater and other private military companies in other sectors of the government; these include the intelligence, domestic security, and peacekeeping sectors.

In late 2006 Rumsfeld announced his resignation as Defense Secretary. By his last day in office, “the ratio of active-duty U.S. soldiers to private contractors deployed in Iraq had almost reached one to one” (Scahill, 2007). In addition, during 2006, a Congressperson indicated that Blackwater had the ability militarily to take down many of the world’s governments by themselves. This military capacity is destructive, in that, Prince and his company are “no longer content to be subordinate to the United States” (Scahill, 2007, p. 411). Prince believes his company can become “an alternative to a NATO or UN force” in conflict zones (Scahill, 2007, p. 411).
War on Drugs and Contractors

The war on terror is not the only opportunity for Blackwater. The war on drugs has provided U.S. contractors “nearly half the $630 million in annual U.S. military aid for Colombia alone”; this dollar amount does not include the aid going to other countries such as Bolivia (Scahill, 2007, p. 448). Blackwater, within the war on drugs, will become a competitor to the other massive private company, DynCorp, which is presently deployed in Colombia, Bolivia and other countries (Scahill, 2007). The war on drugs is becoming a central component of U.S. counterinsurgency efforts. Many of the populist movements that are occurring in Latin America harm the United States’ economical interests in these areas. These movements allow “for more training of foreign security forces through the private sector – away from effective U.S. Congressional oversight – and deployment of personnel from U.S. war corporations” (Scahill, 2007, p. 448).

Sending private security companies to Latin America creates an alternative to deploying U.S. troops who are already stretched thin due to the war on terror and other wars and involvements. This is another perfect example of Prince’s ability to enhance his company’s business interests with new emerging markets. “The company wants to be a one-stop show for the U.S. government on missions to which it won’t commit American forces” (Seahill, 2007, p. 451).

Marketable Equipment and Technology

The entirety of Blackwater does not end with private security and training services. The corporation also encompasses a “multimillion-dollar business through its aviation division,” along with a budding maritime division (Scahill, 2007). These
divisions incorporate military hardware, equipment and technology that is marketable to the Pentagon and the Department of Homeland Security. Neoliberalism runs through the veins of Erik Prince and his company. The Pentagon has invested about $11.3 billion in the Grizzly, which is a Mine Resistant Ambush Protected (MRAP) (Scahill, 2007). This vehicle is said to have controllability and durability and can reach speeds up to sixty miles per hour. For counterinsurgency operations, like the war on drugs, Blackwater has developed “an unmanned aerial vehicle, the Polar 400” (Scahill, 2007). This surveillance equipment is remote-controlled and will have the ability to remain in flight for days. Unmanned aerial vehicles are an emerging market, defense on them spending “rose from $284 million in 2000 to more than $2 billion in 2005” (Scahill, 2007). The outsourcing of the creation of military hardware, equipment and technology to nonmilitary forces is questionable and can create future competition within the industry resulting in more taxpayer money and outcomes that are unknown.

**Total Intelligence Solutions**

In April 2006, Erik Prince clandestinely starting building Total Intelligence Solutions, marking his emergence into privatized intelligence services. Total Intelligence is supposedly a “CIA-style” service for Fortune 500 companies (Scahill, 2007). In late 2007, reports published by the Office of the Directorate of National Intelligence (DNI) showed that “70% of the U.S. intelligence budget is currently going to private companies” (Scahill, 2007, p. 454). Total Intelligence Solutions opened in February 2007. Total Intelligence boasts, “The Terrorism Research Center, Technical Defense and The Black Group, Blackwater’s vice chair Cofer Black’s consulting agency” (Scahill,
Supposedly this intelligence service provides clandestine operations for the boardroom. However, exactly what services are provided and to whom they are provided remains covert. Acting as executives within the company, are many former CIA agents, most of them having served the agency for twenty or more years. The chairman of Total Intelligence is twenty-eight year CIA veteran Cofer Black. CEO Robert Richer worked as an associate deputy of the CIA’s Directorate of Operations and he was the second ranking official in charge of clandestine operations. The chief operating officer, Enrique “Ric” Prado, is a twenty-four year CIA veteran.

Within Total Intelligence other leadership includes Craig Johnson, a twenty-seven year CIA veteran, and Caleb “Cal” Temple. Temple enlisted in the company straight out of the Defense Intelligence Agency where he was the chief of the Office of Intelligence Operations in the Joint Intelligence Task Force, which entailed combating terrorism. While all these men have vested careers within intelligence, what is even more notable is that they all had working relationships with at least one person prior to joining Total Intelligence Solutions. Interestingly, at least two, Richer and Prado, served with Jose Rodriguez. Rodriguez is responsible for allegedly destructing prisoner interrogation tapes, which incorporated enhanced techniques (waterboarding). The emergence of privatized intelligence, like privatized military forces, allows former operatives to turn their careers and connections into “profitable business opportunities” (Scahill, 2007). In essence, this company provides “rent-a-spies,” a dangerous precedent within the intelligence community (Scahill, 2007).
Future of Blackwater and Private Contractors

“They’re the American Express card of the American military, the military doesn’t leave home without them, because it can’t” (Scahill, 2007, p. 458). This position exemplifies not only the relevance of private contractors but the overriding truth that where there is military involvement, there are private contractors. It should be mentioned though that there are companies that provide “mundane jobs that traditionally have been performed by soldiers, from driving trucks to doing laundry” (Scahill, 2007, p. 458).

Issues arise within the security aspect of contracting; those involved in armed “security” operations, like Blackwater. In 2008, there was a one-to-one ratio of private contractors and U.S. soldiers. With the magnitude contractors have reached there are still accountability and oversight issues. “As of March 2008, these private forces enjoyed a de facto “above the law” status” (Scahill, 2007, p. 481). While both Democratic candidates, Hilary Clinton and Barack Obama, criticized this status in the 2008 presidential primaries, it is hard to envision decent accountability in the near future.

There have been efforts to solve the accountability issue. The MEJA Expansion and Enforcement Act of 2007 brings clarity to the previous MEJA Act (Military Extraterritorial Jurisdiction Act) of 2000. The Act of 2007 allows the prosecution of all contractors of U.S. departments and agencies, not only the Department of Defense; as in the previous MEJA of 2000 (Amnesty USA). Barack Obama, when in the U.S. Senate, introduced legislation to bring to justice the human rights violations committed by contractors, in the Security Contractors Accountability Act of 2007 (Amnesty USA). Conversely, this legislation has not been put into law yet. However, when the FBI is
deployed to investigate crimes committed, who will protect them from amid the chaos? How will the government monitor such an enormous private contractor force that is deployed on foreign soils all over the globe (Scahill, 2007)? The legislation, while proactive, raises many underlying questions that must be dealt with if accountability and oversight will ever ensue. The legislation however, provides “the private military industry a tremendous PR victory” (Scahill, 2007, p. 481). The corporations finally have significant legislation that they can claim as providing for accountability and oversight of their industry. Erik Prince has praised the legislation.

Certainly then, the only apparent solution to this chaos would be to do away with the private military industry all together. However, the U.S. military does not have the numbers or trained personnel to overcome the departure of contractors. In addition to the military overtaking contractors, politicians have sought to increase funding for Diplomatic Security, a program through the State Department (Scahill, 2007). If a U.S. President ever decides to transfer security jobs to U.S. government agents, “the State Department has said it could take years to implement” (Scahill, 2007, p. 483). Scrutiny by the media and Congress seems to be the only apparent solution to oversight and accountability issues created by private contractors. Without scrutiny “their future appears both secure and bright” (Scahill, 2007, p. 484).

Sale of Blackwater

Erik Prince sold Blackwater December 2010 to a “small group of investors in Los Angeles who have close ties to Mr. Prince” (Sorkin, 2010). The investing group is USTC Holdings, LLC. The intense pressure Blackwater had been under since the 2007
massacre in Nisour Square prompted the sale. Since the incident, “the company, its executives and personnel have faced civil lawsuits, criminal charges and congressional investigations surrounding accusations of murder and bribery” (Sorkin, 2010). Prior to the announcement of the sale, the State Department revealed that it would stop awarding contracts to Blackwater if Erik Prince remained the owner of the company. Erik Prince initiated Blackwater in 1997 with his family’s inheritance from their Michigan auto parts fortune (Sorkin, 2010). Since Baghdad’s Bloody Sunday and the many investigations into his company, Prince has moved his family to Abu Dhabi, sold the company’s aviation division and stepped aside as chief executive in 2009 (Sorkin, 2010). Now he will be stepping aside as chairman, “some bidders speculated that Mr. Prince had always favored selling the company to the investor group led by Mr. DeYonker” (Sorkin, 2010).

While speculation arises about the sale, the real question is what will the company look like in the future? The new investors plan on transforming Blackwater back into a military training organization and promise to strengthen oversight.

“U.S. Training Center is famous for our ability to deliver hard hitting, effective training experience for military security and law enforcement professionals as well as civilians. We provide advanced training courses for a wide range of missions, terrain and tactical situations. We train both individuals and units applying our knowledge and experience to support their stated objectives” (U.S. Training Center, 2011).

This revelation comes at an interesting time. The U.S. is beginning to slowly withdraw troops from certain areas. The new buyers would like to “receive new contracts to train forces in Iraq, Afghanistan and Yemen, among other locations” (Sorkin, 2010). This revelation proves that while Blackwater may be under new leadership, their ability to gain contracts in emerging markets will not change. Also, this demonstrates the reality
that the private military industry is not going to disappear. This further illustrates the need for adequate oversight and accountability.
Chapter 5

Conclusion

The covertness of the private military industry must disappear if solutions to better oversight are to ever develop. Public scrutiny must be included in the firms’ day-to-day operations. A decent first step would be allowing the public clearance on their contracts with the U.S. government. Clearance would allow for the input of public opinion, which can sway both public policies and the actions of the private military industry. The covertness of military contractors allows the government to employ them in areas that would not be possible because of public scrutiny and lack of support. Public scrutiny provides surveillance and helps guard our democratic principles. The Pentagon’s new market-oriented practices should be scrutinized by the military as well. Commandeers and those in charge should decide what roles they would like to keep under their military blanket. The elimination of contractors from certain functions may help lessen the stress the military is beginning to feel and help further their policy of winning the hearts and minds of the local civilians.

Congressional oversight is extremely important to regulating the private military industry as well. The formation of a committee to conduct reviews and monitor the industry is necessary. On October 2, 2007, the Committee on Oversight and Government Reform held a “hearing entitled, ‘Blackwater USA: Private Military Contractor Activity in Iraq and Afghanistan’” (Majority Staff, 2007). This hearing allows Congress to discuss issues related to Blackwater and the industry.

“The hearing will provide members the opportunity to address three key questions: (1) Is Blackwater’s presence advancing or undermining U.S. efforts in Iraq? (2) Has the State Department responded appropriately to shooing incidents involving Blackwater forces? And (3) what are the costs for U.S. taxpayers of the
reliance on Blackwater and other private military contractors?” ( Majority Staff, 2007).

Congressional powers must be used to overcome the oversight and regulation gap to which the private military industry is becoming accustomed. Legislation like the MEJA Act of 2000 and 2007 allows prosecution of contractors under U.S. jurisdiction. However, this provides oversight only on criminal activities. Oversight must be provided for day-to-day operations. CEO’s, like Erik Prince, should be available daily to congressional leaders to answer questions. When the State Department or Pentagon is developing a contract with a company, congressional leaders should be present to provide oversight.

Prison privatization has been successful in oversight because they establish contract compliance monitors who work on site, performing an additional oversight of conduct directly. The U.S. Military could provide a contract compliance monitor; not only providing oversight for Congress, but also making sure these private companies do not further their interests within Iraq and Afghanistan. Oversight is an important issue if this industry is to remain vital to U.S. interests domestically and abroad.

In addition to oversight, legal accountability must be established within the industry. The legal dilemmas contractors raise must be filled with judicial regulations, domestically and internationally. Legal dilemmas, specifically prosecuting cases committed in war zones, are difficult. “There’s problems with the availability of witnesses, availability of evidence, and the quality of evidence. You also have claims of self-defense, which are generally difficult, although not insurmountable” (Risen, 2010). This statement by a Department of Justice official illustrates these dilemmas and the trouble they pose in the courtroom. The Military Extraterritorial Jurisdiction Act (MEJA)
of 2000, which places military contractors under U.S. law, applies to Defense Department contractors. However, Blackwater and other companies hired by the State Department do not necessarily fall under the jurisdiction of the act, it is unclear whether they can be governed under the act. Recent 2007 legislation, specifically the MEJA Expansion and Enforcement Act, confirms the lack of clarity of the previous MEJA Act. All contractors employed by U.S. departments can be prosecuted under U.S. jurisdiction for crimes committed on foreign soil. Political accountability must be established as well for the industry and the government. The covert contracts that take place must be no longer clandestine. Public opinion and congressional oversight must be present in decisions. We must make sure that this power structure does not interfere with our democratic ideals.

John Ashcroft, George W. Bush’s attorney general from 2001 to 2005, “has been hired to work as an independent ethics advisor for Xe Services (Blackwater)” (Epstein, 2011). Announced Wednesday, May 4, 2011, this new development signals hope that adequate governance may begin to appear in the industry and with the most controversial company. In recent months due to unpleasant publicity, Blackwater has changed its name to Xe Services and has come under new leadership through a group of investors, USTC Holdings, LLC. Chairman of Xe’s board, Red McCombs, issued a company statement recently regarding Ashcroft’s employment.

“Ashcroft’s ‘experience, unparalleled reputation for integrity and personal commitment to ethics, transparency, and excellence’ made him a good pick for the job, bringing big-name legal clout to the company” (Epstein, 2011).
Ashcroft will be heading the company’s subcommittee on governance, a revelation that provides the American government and people a certain comfort level. In addition, proving that accountability and oversight can occur internally as well.

While private war contractors pose a threat at times, it is important to note that they are needed in times of war. Throughout history they have been used. Currently, the extent of their use will be hard to rescind. To sufficiently satisfy American global objectives contractors are necessary for the extra manpower. Rather than being stretched too thin, the United States military through its use of contractors in non-core areas can achieve the strength necessary for U.S. objectives. Issues can arise when the interests of the contractors and their corporations differ from that of the U.S. Government. Inadequate oversight can be detrimental to the United States’ overall mission in these conflict areas and can affect U.S. foreign policy. Adequate oversight and accountability must provide the industry with boundaries, making it useful and not a menace. The United States does not want to “return to a bygone era of privateers and bounty hunters” (Pelton, 2007, p. 6).
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