



## TO WHAT EXTENT IS THE PRIVATISATION OF MILITARY SERVICES INEVITABLE AND DESIRABLE?

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### SYNOPSIS

As the decision to increase or decrease privatisation of the military is inherently a political one, the targeted degree of privatisation depends mostly on the political orientation of the parties in government. Due to the current shift in many Western democracies towards the right of the political spectrum – which favour a laissez-faire approach – an increase in privatisation is likely to continue. Countries should adopt a model in which the core of security services remains nationalised, but more peripheral responsibilities are assessed individually and are opened up to private companies or private-public partnerships.

### THE ROLE AND RISE OF PRIVATE MILITARY COMPANIES

Autocrats, societies and states have all relied on mercenaries and private armies throughout history. The contemporary national military model appears to be an historical anomaly. This model developed following the treaty of Westphalia in 1648, after which nation-states gradually monopolised the use of violence, and eventually became the [dominant security model](#) in the 20th century. The 1990s marked the reversal of this trend. Once again, states have increasingly relied on private sector companies for the provision of security services. Examples range from private security companies

guarding diplomatic compounds or other government buildings to the provision of military training. The existence of privately run prisons is an example outside the military sphere.

Privatisation is expected to provide a number of benefits such as a reduction in public spending, increased flexibility and quality of military operations and decreased exposure to political costs related to battlefield casualties. However, it also comes with certain drawbacks. Privatising military functions can reduce transparency and thus create accountability issues. Additionally, critics often argue that the expected financial savings are overestimated.

The rapid growth of private military companies (PMCs) can be attributed in part to a downsizing of the military after the end of the Cold War and the subsequent increase in [demand](#) caused by the emergence of new conflicts. The nature of conflicts has transformed from conventional warfare in a territorial defence model to low intensity conflicts in an [expeditionary warfare](#) model. Simultaneously, in the overall context of the dominant free market framework, [economic thinking](#) has been introduced to the management of armed forces. This consistent push for increased efficiency and effectiveness also explains the increased privatisation of security in Western democracies.

## THE LIKELIHOOD OF INCREASED PRIVATISATION

The political orientation and beliefs of governments play a crucial role in the decision on military outsourcing because a state's national government is responsible for the military and the introduction of economic factors in the governance of military services has had a significant impact on it in many Western democracies.

The hegemony of liberalism – a school of thought popularised by Friedrich Hayek or Milton Friedman in the post-Cold War era – explains governments' consistent search for increased cost-efficiency. It is one of the most important drivers behind the shift towards privatisation of the military because the dominance of free market economics institutionalised the importance of financial considerations in all areas of government. While most Western democracies have operated in a context of economic liberalism, not all states rely on military privatisation to the same degree. This difference can be explained through the existence of many interpretations of liberalism.

However, despite the model's popularity in most affluent Western democracies, the subsequent implementation has been heterogeneous. Most states adhere to economic liberalism as a major premise, yet the practical implementation has varied across different states, depending on the interpretation. The analysis relies on two contrasting interpretations of liberalism, namely the *laissez-faire* approach and the interventionist approach, each preferring a different level of government

involvement. These two different perspectives are illustrated below, using the United States as an example of the former and Germany of the latter.

## USA & GERMANY

The state design of the United States follows a *laissez-faire* interpretation of liberalism. In this interpretation, state influence is interpreted negatively and the market is viewed as the best and only institution for the efficient allocation of resources, arguing for a limitation of state power through small government. This perspective favours civil society over the state, which is seen as a potential threat to [individual liberty](#). Government intervention in all aspects of human life is thoroughly restricted and its supporters prefer the [private sector](#) and civilians to take over wherever possible.

Consequently, the federal state does not own the exclusive right over the use of force and [state militias](#) and volunteer citizens are central to the American military tradition. One way this manifests itself is in the second amendment of the state's constitution, which allows citizens to bear arms and stresses the necessity of a well-regulated militia to secure a free state. The *laissez-faire* interpretation of liberalism is thus ideally suited for a military organisation with a high degree of [privatisation](#).

The German model, in contrast, is based on an interpretation of liberalism through an *interventionist* lens. This interpretation of liberalism perceives the state more positively and acknowledges shortcomings of markets. Interventionist liberalism embraces a higher level of [state intervention](#), especially in areas such as the redistribution of power and wealth and education. In the German constitution this is imbedded in the principle of the [social state](#), which places the well-being of the German citizens in the hands of the state.

Unlike in the United States, with its general distrust of the state, sovereignty is [unequivocally and undivided](#) in the hands of the state. Maintaining armed forces and the defence of the people are responsibilities of the state exclusively and citizens do not have the [right](#) to arm themselves as in the United States. Privatisation or outsourcing are not necessarily ruled out, but the state holds the monopoly of force. Due to the more extensive view on state obligations and expertise, this interpretation of liberalism is less conducive to the outsourcing of military activities.

### Impact

Research by [Petersohn](#) has revealed that the United States relies more heavily on military privatisation than Germany. His research suggests that a *laissez-faire* approach to economic and political affairs is likely to lead to a higher degree of privatisation. Contractors take up a much larger share in the American military mix and the country's move towards a more private-heavy

combination after the end of the Cold War coincided with growth in [public opinion](#) that 'big government' is the major future threat to the country. This aversion of state involvement provides extra support for the link between *laissez-faire* liberalism and more substantial military outsourcing.

To be able to employ the link between different interpretations of the role of the state to forecast the likelihood of increased military outsourcing, it is important to position both the *laissez-faire* and interventionist approach on a political spectrum, relative to each other. *Laissez-faire* liberalism and its call for small government are traditionally positioned on the right side of the spectrum. The interventionist approach takes up a position to the left, due to its higher levels of state intervention.

Because a government that leans towards a *laissez-faire* interpretation of liberalism is more conducive to military privatisation, the more right-wing a government is, the more likely it is to increase outsourcing. Logically, a general trend to the right can be expected to result in a gradual increase in military privatisation in Western democracies. A shift to the left can be expected to result in the opposite.

An analysis of the composition of governments in Western democracies reveals a steady increase in the popularity of parties on the right-hand side of the political spectrum in the last years. In the United States, the Republican Party has held a majority in both the Senate and the House of Representatives since the elections in 2015. Moreover, less than 41 per cent of [Democrats](#) indicate that they are liberal on economic issues, compared to 57 per cent on social issues. Recent elections in many Western European countries have also reflected an increase in popularity for parties to the right of the spectrum. Right-wing parties lead most of the Nordic countries. Belgium has witnessed the rise of right-wing Nieuw-Vlaamse Alliantie (N-VA) in the 2014 federal elections and the 2015 general election in the United Kingdom resulted in an absolute majority for the Tory party.

The shift towards the right in the majority of Western democracies increases the likelihood of increased military privatisation in the short and medium term. The focus of (centre) right governments on austerity measures and balanced budgets can be expected to increase the appeal of military outsourcing as an option to reduce government spending. Thus, an increase in military outsourcing can be expected in Western democracies in the short to medium term, unless the current trend to the right is reversed.

## THE DESIRABILITY OF MILITARY PRIVATISATION

### Benefits

According to its proponents, military privatisation reduces public spending, increases flexibility and quality of military operations, and decreases exposure to political costs related to battlefield casualties.

Outsourcing certain functions results in financial savings and allows the military to focus on its core responsibilities. In his study, [Taibl](#) discovered that nearly 70 per cent of defence spending goes to support and infrastructure – areas that the government can outsource more easily than core military functions, such as war-fighting

Army personnel and armed forces receive significant benefits, not only during their active career, but also after retirement. Outsourcing aspects of the military reduces the numbers of personnel required on active duty. By relying on contractors, the military only pays for services when they are actually needed and moves the burden of retirement expenditures to the private sector. For example, in the US, about 20 per cent of personnel expenditures in 2009 was allocated to retired military pay. A competitive market for these services is expected to lower prices, further reducing spending. The American Congressional Budget Office estimates that by transferring 80,000 support positions currently assigned to military personnel to civilians could save the government US\$[3.1](#) billion annually.

Relying on private military companies increases both the *flexibility* and the *quality* of operations. Because they operate in competitive markets, military contractors should be more efficient than regular forces. In some cases they are also better suited to rapid deployment than regular forces, as they operate under fewer restrictions. Such forces can offer a surge capacity when needed, expanding the existing military capabilities and offering the state a more [flexible](#) alternative to maintaining a large standing army. Additionally, employing armed forces for non-core military functions reduces a state's overall military preparedness. By using contractors, the military can provide rapid deployment and support [non-core](#) functions without straining its own military preparedness.

Outsourcing also reduces the political cost associated with deploying the military for operations that have lower levels of domestic support. Casualties related to these operations are [not counted](#) as losses of the state's armed forces and thus bear a lower political cost, especially in situations where public opinion is [sensitive](#) to military losses.

### Drawbacks

Despite the advantages, outsourcing can have significant detrimental effects. Opponents of military outsourcing often criticise the resulting reduction in transparency and argue that the expected financial savings are overestimated.

Concerns about a lack of transparency are linked to the inherently [obscure](#) nature of the laws regulating military outsourcing. The lack of transparency of the affairs of military contractors and their relation to the government obfuscate who is accountable for the actions of contractors. Often, military contractors are legally unaccountable as they are not subject to the Uniform Code of Military Justice, as armed forces are, but are [subject](#) to the laws of the country they operate in.

Issues become even more ambiguous in countries lacking a [functioning](#) legal system or when contractors are not citizens from a different state. This issue also complicates governmental oversight of contractors and checks that apply to national armed forces rarely applicable to the same [degree](#). [Avant and Sigelman](#) argue that the lack of transparency and accountability circumvents public consent and impedes constitutionalism, eroding the core attributes of democracies.

Moreover, the forecasted financial savings are considerably overstated according to some [studies](#). If savings occurred, they have mainly been through the outsourcing of simple and repetitive tasks. Outsourcing more complicated tasks very often ended up being more [costly](#).

### **Recommendation**

Due to the extent and complexity of the modern military's functions, countries must not apply a blanket decision regarding privatisation. Due to the importance of transparency, oversight and accountability in Western democracies and the sensitive nature of defence policies, I advocate resisting the privatisation of core military functions, such as war fighting. In contrast, peripheral functions – such as support, maintenance and logistics – could be excellent targets for outsourcing. Areas such as research into technological and scientific improvements or support functions such as HR, finance or IT benefit from a specialised private approach, increasing the quality while decreasing public expenditure. Additionally, the US Office of Personnel Management hack in 2015 has revealed that a government's IT infrastructure is not necessarily more secure than that of private enterprises. Sensitive information is therefore not necessarily safer in government systems. However, governments must address the concerns for transparency. The suitability for outsourcing should be assessed on a case-by-case basis to account for the expected benefits and risks.