Private Contractors are employed more in combat operations of the 21st century than at any other time in the history of the United States military. Although not a new phenomenon, the prominent rise of private contractors and their integral role in national defense and foreign policy indicates a significant shift in how the government conducts war. Understanding the rise of this new dynamic in war and the contributing factors are essential to the operational planner as future conflicts will likely continue to incorporate both uniformed and contracted personnel, thus necessitating greater integration into the planning process. This study seeks to impart upon that need by analyzing the role of private military and security contractors in Operation Enduring Freedom through an existing framework of microeconomic principles of supply-demand theory by looking at specific conceptual variables to determine the relationship and influence on the industry’s growth.
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Monograph Title: MICROECONOMICS, PRIVATE SECURITY, AND THE SIGNIFICANCE TO OPERATIONAL PLANNING

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The opinions and conclusions expressed herein are those of the student author and do not necessarily represent the views of the U.S. Army Command and General Staff College or any other governmental agency. (References to this study should include the foregoing statement.)
Private Contractors are employed more in combat operations of the 21st century than at any other time in the history of the United States military. Although not a new phenomenon, the prominent rise of private contractors and their integral role in national defense and foreign policy indicates a significant shift in how the government conducts war. Understanding the rise of this new dynamic in war and the contributing factors are essential to the operational planner as future conflicts will likely continue to incorporate both uniformed and contracted personnel, thus necessitating greater integration into the planning process. This study seeks to impart upon that need by analyzing the role of private military and security contractors in Operation Enduring Freedom through an existing framework of microeconomic principles of supply-demand theory by looking at specific conceptual variables to determine the relationship and influence on the industry’s growth.
ACKNOWLEDGMENTS

This research began in the absence of any unique interest or bias towards private contractors and their prominent rise in US Defense and Foreign policy. Surprisingly, the research highlighted the various courses throughout the SAMS academic curriculum and broadened my conceptual understanding of the industry and its significance across multiple academic disciplines. Although the product is of substantial significance to the Academic experience that is the School of Advanced Military Studies (SAMS), the process was equally important. As such, I would like to extend my deepest gratitude to Dr. Bruce Stanley who guided my thought process, kept me focused on the mission, and even managed to make it fun at times, *Climb to Glory!*

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<td>Combined Arms Research Library</td>
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<tr>
<td>AECA</td>
<td>Arms Export Control Act</td>
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<td>AOR</td>
<td>Area of Responsibility</td>
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<td>CBO</td>
<td>Congressional Budget Office</td>
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<td>CENTCOM</td>
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<td>CFLCC</td>
<td>Combined Forces Land Component Force</td>
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<td>CJTF</td>
<td>Combined Joint Task Force</td>
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<td>Combined Joint Task Force – Horn of Africa</td>
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<td>Department of Defense</td>
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<td>Department of Defense Instructions</td>
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<td>European Command</td>
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<td>European Force mission</td>
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<td>FATA</td>
<td>Federally Administered Tribal Area</td>
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<td>FY</td>
<td>Fiscal Year</td>
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<td>GAO</td>
<td>Government Accountability Office</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GWOT</td>
<td>Global War on Terrorism</td>
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<td>IFOR</td>
<td>NATO Implementation Force</td>
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<td>ISAF</td>
<td>International Security Assistance Force</td>
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<td>ITAR</td>
<td>International Traffic in arms Regulation of 1976</td>
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<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>NDAA</td>
<td>National Defense Authorization Act</td>
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<td>OCONUS</td>
<td>Outside Continental United States</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>OEF</td>
<td>Operation Enduring Freedom</td>
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<td>OEF-P</td>
<td>Operation Enduring Freedom – Philippines</td>
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<td>OIF</td>
<td>Operation Iraqi Freedom</td>
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<td>Office of Security Cooperation-Iraq</td>
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<td>PACOM</td>
<td>Pacific Command</td>
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<td>PMC</td>
<td>Private Military Contractor</td>
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<td>PMF</td>
<td>Private Military Firm</td>
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<td>PSC</td>
<td>Private Security Contractor</td>
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<td>PSI</td>
<td>Private Security Industry</td>
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<td>SFOR</td>
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INTRODUCTION

On 11 September 2001, nineteen men boarded four commercial airliners in the United States (US) and executed the most devastating terrorist attack on US soil. Subsequently, the US military responded in measure with Operation Enduring Freedom (OEF) and the invasion of Afghanistan – America’s first campaign in the Global War on Terrorism (GWOT). In the ensuing years, the GWOT expanded to include the invasion of Iraq, and other small operations throughout the world that targeted international terrorism that represented clear and present dangers to US national security interests. The scope and scale of OEF, and to a greater extent the GWOT, unquestionably exceeded the planning assumptions originally set forth in the decision making processes that placed the US military on a war footing for more than a decade. However, the US military’s endeavor in the GWOT also gave rise to what could be considered “the sixth service” that depicts the role of the private contractor on today’s battlefield.

The privatization of military related services and their pervasive use in today’s battlefields of Afghanistan and Iraq represent a trend that pre-dates the US war in Afghanistan beginning at the end of the Cold War. Between 1988 and 2001, the US implemented policies that reduced defense spending and the size of the military personnel force structure by approximately thirty-five percent.¹ These cuts signified a strategic operating environment that witnessed the collapse of the nation’s global military competitor of the previous fifty years, in addition to domestic fiscal constraints from myriad variables that necessitated greater efficiency within the federal government to balance spending and control deficits. This strategic security environment in the aftermath of Cold War and the deliberate policy decisions of presidential administrations in

the years following set the groundwork that consequentially made America’s conduct of war in the 21st century interdependent with the private security industry.

Today the number of contractors on the battlefield in Afghanistan represents an all-time high. The ratio of private contractors to US troops in Afghanistan reflects a 2:1 ratio, and the number of private security contractors equals nearly one-third of all troops presently deployed inside of Afghanistan. However, the level of cooperation and integration between uniform personnel and private contractors on today’s battlefield underachieves its perceived potential. Given the current state of reliance on private security contractors by the Department of Defense (DOD) in Afghanistan, how can operational planners capitalize upon the industry’s services and promote greater synergy into future planning processes? To begin answering this question, it is necessary to not only understand the causal developments perpetuating the rise of military-related services provided by the private sector but also a working theory to predict how the phenomenon responds within a constructed framework.

In his doctrinal dissertation, Bruce Stanley suggests that the previous scholarly literature available on the relationship between the private security industry and the United States provides only a descriptive understanding of the contextual conditions that enabled the industry’s growth but lacks the causal explanations to explain the phenomenon. Although many scholars attribute the rise of the private security industry to the basic principles of supply-demand theory, Stanley refines this assertion by modeling the relationship between the US government and the private security industry as a specific type of market where the government exerts a considerable amount of power over the market as a single buyer on the demand side. In essence, Stanley’s study


3 Ibid., 43.
argues that when political leaders choose to reduce their nations military force structure, they may face conflicts beyond their anticipated scope and duration. Such decision-makers are left with no choice but to legalize and legitimize the use of PMCs resulting in their increased use as a deliberate tool of foreign policy. His study maintains that the private security industry fills vacuums created when the US government does not have the means or the will to provide domestic and international security. Furthermore, Stanley’s study examines the impact that bureaucratic controls, force caps, and host nation permissiveness have on the US military’s use of PMC/PSCs.

The purpose of this study is to analyze the use of military-related services contracted by the United States government over the course of OEF from 2001-2012 to further test Stanley’s theory for validity, and robustness. Specifically, the study approaches the problem through the lens of supply-demand theory to analyze five hypotheses to determine their relationship and influence to the demonstrated rise in growth of private contractors during OEF. In order to test Stanley’s theory, this study examines bureaucratic controls, force structure, and host nation permissiveness. This study argues that during OEF, US political leaders confronted myriad challenges in the strategic operating environment that increased US reliance on PMCs the intervention as a deliberate foreign policy tool. Upon realizing the conflict was beyond the initially anticipated scope and duration, political leaders chose to moderately increase the military force structure and employ more contractors in efforts to balance national security interests with fiscal constraints in growing the operational force. Thus, the private security industry filled the vacuum created when the US government did not have the means or the will to provide the needed security functions.

4 Ibid., 34-37.
The significance of this study pertains to the assumption that the US government will continue to employ a mix of both public and private means as necessary to achieve stated strategic objectives during future hostilities. Operational planners must understand the capabilities, limitations and stated purpose of those personnel operating within a specific combined joint task force (CJTF) area of responsibility (AOR) in order to facilitate greater synergy and mission accomplishment in both permissive and non-permissive theaters of operation. Warfare is no longer an exclusive affair of the state executed by uniformed service members but interdependent on both public and private means. Contracting private security related services in the absence of available military means requires that military planners understand the political and economical implications of such decisions and implement proper controls and oversight throughout operational plans. This study hopes to shed light on those motivations.

An imperative to the conduct of this study is the definition and delineation of any key term(s) to clearly sharpen and focus the object under examination. A review of the major theme explored in this study indicates a lack of intersubjectivity on the constituents of private contractors. The lack of a clear and concise understanding of private contractors and related functions impedes a deeper examination of the industry and causes confusion. Three terms that appear often in literature regarding private contracting are private military firms (PMF) private military company (PMC), and private security company (PSC). The common thread in both of the fore-mentioned terms is the linkage back to the military domain. However, there are significant differences in the use of each. Peter Singer uses PMFs in his study and defines them

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6 Singer, 88.
as “business organizations that trade in professional services intricately linked to warfare.”

Carlos Ortiz adopts a similar definition his use of the term PMC. Deborah Avant, another affluent scholar in the study of the privatization of military force, uses PSCs to categorize inclusively any company that offers military or security related services for profit. Private military and security companies are very similar and often interchangeable when referring to the entity at work in Afghanistan. One of the major differences is the PMCs execute more military specific tasks, whereas PSCs provide more security and policing tasks. Sarah Percy expands this by asserting that PMCs specialize in military skills and will actually engage in combat, while PSCs offer advice and training, and provides fixed site and personal security but do not engage in combat. As professional businesses, they are profit driven and thus tailor specific services to meet the needs of the clients. The 2008 National Defense Authorization Act (NDAA) defined private security functions as the guarding of personnel, facilities, or property, and any other activity for which contractors are required to be armed. This definition, however, does not fully provide an overarching definition suitable for this study, as there are some services that restrict or limit the carrying of arms by contractors depending on their role and exposure to the threats

7 Ibid., 8.
8 Ortiz, 6.
10 Ibid., 1.
inherent in the operations environment. Thus, the logical thought process then leads to a categorizing of services as either armed or unarmed.”14 This use of the term is more clearly related back to Peter Singer’s definition of PMFs.

To maintain continuity with Stanley’s research, this study subscribes to the definition of PMCs and PSCs as put forth by Percy to describe the phenomenon at work in Afghanistan. The private security industry (PSI) is the market that subsumes all of the various military related services available for the consumer to choose from. Private security contractors will include both armed and unarmed security services to demonstrate continuity with DOD data collection as of June 2010.15 How these terms are defined is important because it affects how data collection is generated and provides clarity to information attained during the study.

The private security industry operates in an economic market where the product is military-specific services sought out and purchased by numerous clienteles, to include both state and non-state actors. The United States, over the past twenty years, represents a frequent and increasingly large consumer of these services. This spike in demand by the US is believed to conform to the basic principles of supply-demand theory and the “superiority of the marketplace” in fulfilling organizational and public needs.16 Ortiz credits this increased privatization to a recognizable shift in the global political economy towards neoliberalism practices after the defeat of the Soviet Union during the Cold War.17 Furthermore, the guiding principle regarding the purchase of goods or services in most competitive markets is price. The private security market, however, does not conform to this general guiding principle of supply-demand relationships but is

14 Schwartz, 2.
15 Ibid., 2.
16 Singer, 66.
17 Ortiz, 115.
instead driven more by the demand side of the market. More precisely, it is driven by the need inherent in the principal, or consumer. Instead of a typical competitive market with numerous consumers and buyers, a single buyer heavily influences the market with considerable power. The single buyer to the study in question is the US military. This study uses the framework of microeconomic interplay of monopsonist markets to explain the use of PMCs in OEF and seeks to build empirical data to further strengthen Stanley’s theory.

This study tests five hypotheses to determine the validity and robustness of Stanley’s theory within a single case study: OEF. These hypotheses derive from Stanley’s dissertation and are the following:

H1: When military outlays decrease there is an increase in the use of private security.

H2: When the size of a national military decrease there is an increase in the use of private military security.

H3: When the number of military disputes, engagements and conflicts increase, there is an increase in the use of private security.

H4: When the duration of a military conflict increases, there is an increase in the use of private security.

H5: When there is a decrease in bureaucratic controls and regulations there is an increase in the use of private security.

The five hypotheses are assessed through seven research questions that guide this study. These questions aid in maintaining continuity with his theoretical model established in Stanley’s dissertation and thus allow a better understanding of whether his purposed framework has validity across additional case studies. The questions that guide the analytical study of the case are:

Q1: What was the number of PSCs used during the intervention and what was their role?

Q2: What Laws, regulation, and controls were in place at the time of OEF in regards to contractors?
Q3: What was the duration of the intervention?

Q4: What was the scope of the intervention?

Q5: What other conflicts or deployments were the US military involved in?

Q6: What was the size of the military?

Q7: What was the percentage of military outlays in the national budget?

There are two significant limitations to this study. First, the available data is a limitation because empirical evidence is only available through public records. Civilian authority, specifically the US Congress, did not specify reporting requirements on private contractors in combat until the NDAA of 2008. This requires some assumptions based on the available date from 2008 to present day census reports. Secondly, this study is limited to unclassified sources, thus it will rely on public records of US government studies and secondary sources for data collection.

The delimitations utilized in this study relate to the scope of the research. This study focuses on the use of private security contractors hired by the Department of Defense in OEF during from initial entry in 2001 up through the end of 2012. Although there is evidence to substantiate the use of PSCs by other government agencies such as the US Department of State, or the US Agency for International Development (USAID), this study focuses only on those contracts originated and maintained under the US Department of Defense.

As with military planning, this study required certain assumptions in order to begin work. Thus, there are three guiding assumptions that this study relies on. First, the United States will continue to project military power and defend strategic national interests. As such, future foreign conflicts requiring the deployment of US military ground forces to intervene are inevitable. Second, the US will execute a military force reduction plan in Afghanistan between 2013-2014, with an official end to the current mission no later than 31 December 2014. The presence of troops post 2014 remains unknown but a model established in Iraq under the Office of Security
Cooperation-Iraq (OSC-I) provides a framework to maintain strategic partnership through military-to-military relations. Third, the US will conduct a drawdown of personnel congruent with historical post-conflict reductions. In the presence of greater global interconnectedness, competing ideologies and interests will inevitably ignite future conflicts. This reality and its’ potential scope may require a significant military footprint to establish and maintain security. These assumptions strengthen the importance and role of the private security industry as an available option to achieve US foreign policy objectives.

This study is organized into five additional sections. Section two is a literature review of the current material on private military and security contracting. Section three describes the methodology used for the research study. Section four presents the case study, and answers the research questions. Section five conducts an analysis of the data gleaned from the research questions against the original hypotheses. The final section concludes the study by providing a summary of the overall findings, recommendations for further study, and concluding remarks.

REVIEW OF LITERATURE

This section provides the justification for conducting further research on the increased employment of the private security industry by the US in foreign military conflicts. Scholars and researchers of the private security industry attribute the rise of this market to the basic principles of supply-demand theory. Only recently has any study attempted to explain the phenomenon in question through the lens of a specific type of market known as a monopsony that depicts specific microeconomic conditions prevalent in the interrelationship between relevant actors. Thus, this study seeks to examine the use of the private military and security industry during OEF against the variables tied to supply-demand theory identified in Stanley’s dissertation; decreased national

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18 Singer, 53; see also Avant, 30; see also Ortiz, 115.

19 Stanley, 29.
military capabilities and outlays, increased conflicts, conflict duration and scope, and bureaucratic policy controls. The following is a review of the literature relevant to this study to include existing conceptual understandings of the industry, the microeconomic principles of supply-demand theory, the theoretic framework of monopsony for the purpose of this study, and empirical evidence relevant to the rise of the industry.

The focused study of private military contractors began in earnest in 2003. The protracted nature of the GWOT and the increased roles of PMCs in today’s contemporary operational environment garnered significant attention after the killing of four contractors in Fallujah and reported contractor involvement regarding the mistreatment of detainees at Abu Ghraib. Collectively, the existing literature seeks to understand the industry through the examination of historical foundations and potential consequences and benefits that abound in the privatization of defense specific functions. The presentation of these concepts provides a working knowledge of current perceptions of the industry, and justification for the selected theoretical framework.

The historical review of the industry began in 2003 with the publication of Peter Singer’s *Corporate Warriors*. His work highlighted the prevalent use of the industry in conflicts throughout Africa in the aftermath of the Cold War.\(^{20}\) The collapse of the Soviet Union brought about an ensuing rearrangement of the global order of political interactions across the international community that created a security gap previously maintained by the competing interest of east and west interests.\(^{21}\) Additionally, a de-emphasis on military defense spending, and a demobilization of the military force ensued throughout the 1990s.\(^{22}\) As the collapse of the

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\(^{21}\) Singer, 49.

\(^{22}\) Deborah C. Kidwell *Global, Public War, Private Fight? the United States and Private*
Soviet Union pivoted myriad states towards greater inclusion into western institutions, improving national military capabilities assumed greater a greater priority. Thus, the fall of the Soviet Union created an increase in supply and demand for military related services that originated from the drawdown of western militaries and a desire of many states within the international community to increase their military capabilities through reforms that necessitated external assistance.

In addition to historical perspectives, the extant literature applies various frameworks that put the consequences and benefits of privatization of defense functions under examination. In *The Market For Force: The Consequences of Privatized Security*, Deborah Avant seeks to further a developing discourse on whether the privatization of defense specific functions enhances or reduces a state’s ability to control violence. Her analysis of the industry asserts that controlling violence requires the complementary reinforcement and interaction of political, functional and social control mechanisms. When these three resonate in conjunction with one another, then the control of violence is most effective, regardless of the medium through which it flows. However, there are significant trade-offs that Avant stipulates in her work such as who is able to exert influence over the use of force as political administrations come and go and the reflected social norms that this transition exhibits. In 2008, James Carafano asserted in *Private Sector, Public Wars* that the increased privatization of military related services signified a transition in the conduct of modern conflict that made sense and required the government to be a better

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23 Avant, 31; see also Ortiz, 115.
24 Avant, 5.
25 Ibid., 6.
26 Ibid., 253.
costumer. He presented the principles of Adam Smith and Niccollo Machiavelli, and President Dwight Eisenhower’s cautionary speech against promoting a ‘military-industrial complex’ that acknowledges the trepidation of relying on private contractors in combat. Ultimately, Carafano views the private sector as an invaluable commodity to the future of national defense that requires good governance that Avant opines for in her application of control mechanisms.

Implementing good governance and control over the application of force lies at the center of the civil-military relationship. The works above implicitly refer to the civil-military relationship through good governance and effective control mechanisms. In 2011 Thomas Bruneau, a professor at The Naval Post Graduate School in Monterrey, California, published *Patriots for Profit: Contractors and the Military in US National Security* that explicitly looked at the roles of contractors as part of national security and defense policy through the lens of civil-military relations. Similar to Avant, Bruneau’s work focused on who decides on the use of armed force but also analyzes the relationship through effectiveness and efficiency. One conclusion drawn from Bruneau’s analysis of Operation Iraqi Freedom was that the use of contractors in Iraq proved ineffective due to a lack of strategy and doctrine that incorporated PMCs into the overarching campaign plan. Although Bruneau’s framework is predicated on the civil-military relationship, he acknowledges implicitly the economic principles prevalent in the government’s reliance in the private sector over the last twenty years in hopes of achieving greater efficiency.

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27 Carafano, 11-12.

28 Ibid., 25.


30 Ibid., 155.
with available resources.\textsuperscript{31} These economic principles are explored further through the remainder of this study.

Economics is inextricably tied to a nation’s capacity to provide for the common defense of its’ sovereign territory and citizenry. It depicts the ways in which trade, industry or money is organized and allocated to satisfy human desires.\textsuperscript{32} As a matter of national defense and security, economics matters because it is a driving cause, or enabler, for the conduct of war.\textsuperscript{33} The US economic framework in the contemporary environment operates under neoliberalism principles of free markets, free trade and increasing roles of the private sector.\textsuperscript{34} During the last decade of the twentieth century, the US military began to reinvent itself into a leaner and more specialized fighting force.\textsuperscript{35} Consequentially, the US began to shift certain functions previously performed by uniformed service members to the private sector. This transformational process encompassed two overarching objectives: greater efficiency and greater effectiveness.\textsuperscript{36} The government aspired to find new ways to reduce cost while improving the level of services.\textsuperscript{37} Accordingly, this pivot to the private sector further cemented a government-industry market relationship that abound in a post 9/11 strategic setting and requires further exploration into supply-demand theory and the unique characteristics that the government presents in this market.

\begin{itemize}
\item \textsuperscript{31} Ibid., 163.
\item \textsuperscript{33} Ron Smith, \textit{Military Economics: the Interaction of Power and Money} (New York: Palgrave Macmillan, 2009), 1.
\item \textsuperscript{34} Smith, 15; see also Ortiz, 115.
\item \textsuperscript{35} Ortiz, 115.
\item \textsuperscript{36} Carafano, 36-37; see also Bruneau, 36-38.
\item \textsuperscript{37} Ortiz, 117.
\end{itemize}
The law of demand stipulates as a function of price, demand increases as the price of a product or service falls. Thus, with any product or service in a normally active market with multiple suppliers and consumers, the demand curve slopes downward to the right. This signifies that at a higher price, there is less quantity demanded and as price goes down, more units of the product or service will be purchased. It is important to identify influencing factors pertaining to this curve. Any demand curve is impacted by a particular period of time, taste of the consumers, level of consumer incomes, and levels of other prices of similar goods or services. Time, taste of consumers and the substitution of goods or services are of specific interest in the conduct of war in the 21st century. Although the period in question specifically focuses on the duration of the conflict, the preceding decade is inextricably linked to the conflict under examination. The taste of the consumer in regards to the case in question pertains more precisely to the mixture of private and publicly provided services that provide the most efficient and effective solution while taking into consideration acceptable levels of risk. The substitution of similar goods and services looks not only from within the private market but also the associated cost of providing those same services using military manpower.

Similarly, the supply side of a market also responds as a function of price but inversely to the market demand curve in a normally competitive market. The market supply curve exhibits an increase in slope to the right meaning that as price increases, so does supply because there are less consumers willing to purchase at higher prices. Just like with the demand side of the market, various factors affect the position and shape of a market supply curve. These factors include state of technology, input prices, as well the period of time to which the curve pertains.

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38 Mansfield, 45.
39 Ibid.
As noted within the general laws of supply and demand, the determinant for market equilibrium is a function of price under normal competitive conditions. However, the privatization of military related services to support the US military in both the training and conduct of war does not adhere to the condition of perfect competition in the input part of the market. Instead, the private security industry and the US government operate under imperfect conditions where the US government assumes a relatively unique position in the market as the sole buyer. The government-industry market relationship reflects the conditions present in a monopsony where a buyer, or monopsonist, exercises power over the price of single unit of product by controlling the quantity demanded. The US government exerts this power over the private security industry because it acts as single firm buying all output in the market, and restricting entry of industry firms into foreign conflicts through bureaucratic controls. However, the government is not a traditional monopsonist in that its purpose is not profit generation, it functions for the purpose of providing basic essential services to the republic at a reasonable cost. During foreign interventions, achieving the desired endstate provides substantial influence in the market relationship between the government and the private security industry. Establishing the nature of the US government as a protected monopsony that maintains a capable national military force for the purpose of national security interests facilitates the following discussion of bureaucratic controls, national military size, increased conflict participation by the state, and budget constraints.

40 Smith, 131.
41 Mansfield, 405; see also Stanley, 30; see also Smith, 131.
42 Stanley, 30.
As noted above, bureaucratic controls act as a discriminator in determining what PMCs participate in international conflicts through contractual agreements. Two key legislative acts, the Arms Export Control Act and the International Traffic in Arms Regulation of 1976 ensure that the US government can exert significant influence over the market relationship. These two legislative acts require any US firm associated with the sale and potential export of defense articles, defense services, or other related areas to register with the US Department of State, and obtain a license of approval for export. PMCs meet the requirements established within these two laws and, as such, cannot operate or participate in any foreign conflict or training without the proper license from the US Government. Additionally, the NDAA outlines the defense and security areas that may consider contractor support.44 Furthermore, the Uniformed Code of Military Conduct expanded jurisdiction in 2007 to include private contractors in contingency operations such as Operation Enduring Freedom.45 These federal regulatory measures in addition to others facilitate the control of the industry and assert the US government as the single most influential aspect in the industry’s growth.

The second concept is the size of the national military. As previously noted, the reduction in military spending and military personnel numbers prompted the DOD’s pivot to the private sector for myriad functional purposes in the 1990s. In 1991, US active duty military strength worldwide totaled 1,986,259 personnel with 710,821 being Army. A decade later, the size of the military in the DOD stood at 1,385,273 personnel with 480,801 representing total Army numbers. This represented a thirty percent reduction in both the total force and the Army component. This impetus shifted various support and security services to the private sector that

44 Ibid., 141.

45 Ibid., 143.
provided more cost effective means versus a large standing military.\textsuperscript{46} After the attacks of 11 September 2001, defense spending began gradually increasing as the US expanded the scope of the war to include operations in Iraq, the Philippines, and the Horn of Africa. Simultaneously, the role of contractors also expanded reaching record numbers in both Iraq and Afghanistan.

The third concept explored is the duration and scope of the intervention. The GWOT continues to test the operational reach of the United States military. One of the primary capabilities of the US military is projecting combat power anywhere in the world as dictated by threats to US national interests. The response that ensued after the terrorist attacks quickly expanded by early 2003 when the US military invaded Iraq, followed by a nine-year occupation that consumed significant state resources to execute stability and reconstruction operations. By 2006, the GWOT presented the US with more missions than the military could adequately undertake.\textsuperscript{47}

The fourth and final concept analyzed is the level of defense spending over the course of the conflict. Defense spending is imperative to maintain the national security and interests of the United States. As a percentage of outlays, defense spending over the last twenty years averages to about 18 percent of total expenditures.\textsuperscript{48} When compared against Gross Domestic Product (GDP) military expenditures over the same span of time averaged less than 5 percent with a low of 3.8 percent in FY 2000.\textsuperscript{49} These relative percentages of outlays and GDP reflect the shift in priorities of the US government in the decade after the Cold War and the domestic requirement to

\textsuperscript{46} Pelton, 107.

\textsuperscript{47} Carafano, 43.


\textsuperscript{49} Smith, 99-100.
balance fiscal budgets. A final report of the United States Commission on Roles and Missions in 1995 presented an entire chapter that championed greater transition of non-essential war fighting tasks to the private sector in order to increase efficiency and save money.\textsuperscript{50} This pivot towards the private sector by the DOD continued with greater emphasis under President George W. Bush when a 2002 military plan sought to free up military man power to focus on Army core competencies by increasing its’ reliance on contractors even further.\textsuperscript{51} Over the past decade, the cost of two wars, a global financial crisis, and escalating entitlement spending poses increased pressure on future budgetary allocations for defense spending and will likely affect how future wars are fought. The cost-benefit analysis by DOD leadership and congressional leaders to balance security requirements against other purposes, whether specific to defense or other federal programs, suggests that PMCs are an economically viable alternative now and in the future.

This study maintains that the use of PMCs by the US military increased over the last twenty years and provided an economically and politically effective alternative to the large standing Armies of the Cold War Era. The government-industry relationship forged in the wake of large-scale military drawdowns throughout the 1990s and into the first year of the twenty-first century demonstrated an increase in both supply and demand of the market. The normal laws of supply and demand, however, do not capture the true driving factor in a protected monopsony where the US military is the sole consuming actor of the specific services. The basic framework of supply-demand theory and the recognition of the US government as a protected monopsonist lead the researcher to look at the demand, or ‘need,’ created by a series of interdependent variables as the forcing function for purchases in this market.


\textsuperscript{51} David Isenberg, Private Military Contractors and US Grand Strategy (Oslo: International Peace Research Institute, 2009), 20.
METHODOLOGY

The purpose of this study is to test the hypotheses and research questions proposed in Stanley’s dissertation by expanding the case study selection and examining the role of PMCs during military operations in Afghanistan. The researcher chose this case study as it represents the beginning of America’s war on terror in the 21st century in addition to providing the most protracted use of US military forces since the Vietnam War. Data pertaining to military force end-strength indicates that during the decade between Operation Desert Shield/Desert Storm and the attacks of 11 September 2001 the US military experienced a significant reduction in military manpower. Less than a year after committing major combat forces into Afghanistan, senior leaders in the Bush administration along with members of the Pentagon began planning for an invasion of Iraq that would expand the war against terrorism. The theory under examination states that the lack of sufficient national military force and increased US involvement in conflicts results in an increased demand on the private security industry. By analyzing available documentation on the use of PMCs over the last eleven years in Afghanistan, this study tests the documented increase of the private contractors through the lens of microeconomics principles of supply-demand theory. In addition to a description of the case study and instrumentation for data analysis, this section provides the sources of data collection, and expands upon the research questions introduced as part of the introduction. Five parts divide this section: the introduction, case selection, instrumentation, data collection/analysis, and summary.

This part explains the rationale for selecting Operation Enduring Freedom for the case study, and the relevance to the continuation of Stanley’s study as a whole. Stanley’s three case studies involved wars of choice with the US interventions in Operation Desert Shield/Desert Storm (1991), Bosnia (1995), and Operation Iraqi Freedom (2003). These three military operations, according to Stanley, provided significant sampling variance on key concepts to his study including bureaucratic controls, intervention duration, US military end-strength, and
competing demand of resources in other ongoing conflicts.⁵² All three of these conflicts were post-Cold War and employed the private security industry in various degrees. The US operation in Afghanistan provides a logical continuation using Stanley’s framework. Although not a war of choice OEF represents the longest sustained conflict involving US military personnel since the Vietnam War and was influenced by many of the same key concepts, identified in Stanley’s study, that further elevated the role of contractors in the contemporary operating environment.

This study relies on a structured, focused approach as outlined by Alexander George and Andrew Bennett. George and Bennett developed a method to address foreign policy issues and provide a means to prevent single-source decision-making. The structure presented in their work unfolds in the form of general questions developed by the researcher geared towards the study’s objective and facilitates standardized data collection across multiple case studies. The result of this method makes possible a systematic comparison of the findings.⁵³ A second requirement in the method presented by George and Bennett is that the study be focused. The focus is obtained by limiting the scope of the research to a particular aspect of the case study in question. This study focused on key concepts pertaining to the use of PMCs in Afghanistan.

The contractor, the conflict, the Army and the government are examined through the focused questions. The first question addresses the use of contractors by quantity and by classification of roles. This is the line of departure for the analysis because it establishes the ratio of contracted personnel on the battlefield to uniformed military personnel at any particular time that indicates the DODs increased reliance. The second question addresses the various legislative regulations and controls of PMCs enacted prior to or during the operation. By addressing the limitations or constraints imposed by government regulations both prior to and during the conflict

⁵² Stanley, 46.

in question, a relationship can be assessed between bureaucratic control measures and the
governments reliance or lack thereof on the private security industry. Questions three through six
pertains to the conflict. Specifically, the duration, the scope and competing conflicts are
analyzed. These questions establish if the strategic environment of the time demands additional
manpower. The duration and scope are essential to any military planning process because they
establish a frame of reference for assigning troops to task. Furthermore, if the duration and scope
exceed the initial planning assumptions, then decision points may arise due to competing
requirements for resources such as other major conflicts. These questions highlight the
operational reach of the US military and the broad demands to maintain strategic national
interests abroad. The commitment of military forces in other operational conflicts reduce the
pool of available forces to draw from and act as another forcing function for increasing the use of
PMCs in the operational theater. Question seven looks at the size of the national military from
conception of the plan to invade Afghanistan through 31 December 2012. This question contrast
the collected data against the logical conclusion presented by both Singer and Avant that any
decrease in the overall size of the military should result in an increased use of the private security
industry.54 However, as this study will show, both the size of the military and the number of
contractors increased during the intervention in Afghanistan over time. The final question
examines government spending on defense during the course of major combat operations to date
in Afghanistan as a percentage of total federal outlays and GDP.

This section restated the purpose of this research and presented the questions that guide
this study in detail. The research relies on one case study that further tests the validity and
robustness of Stanley’s theory of monopsony to explain the rise of the private security industry in
the last twenty years. The focused, structured approach provides a standardized data collection

54 Ibid., 49.
tool that can be systematically compared against Stanley’s original findings to further understand to the government-industry relationship of privatized military services. This understanding is beneficial to operational planners, as they will confront these personnel on the battlefield with greater increasing frequency.

CASE STUDY

This section uses a qualitative approach to examine the validity of the supply-demand theory of a protected monopsony to define the market relationship between the US government and the private security industry in times of war. This study consist of a single case of in-depth historical examination using the questions and hypotheses employed by Stanley in order to expand the study and add further precision by testing the validity and robustness of another US military conflict.

This section is developed in five parts. First is the introduction and justification for selection of the case. The second part is the overview of the case study beginning with the events propelling the US military into Afghanistan. Following the overview is an in-depth examination using the focused questions established at the beginning of this study. The fourth part analyzes the answers attained from the focus questions against the hypotheses presented by Stanley. A summary concludes this section.

Operation Enduring Freedom is a logical choice for extending the theoretical research began by Stanley because it provides the longest sustained US military conflict since the Vietnam War. The war is significant to this study because its’ operational timeline unfolds simultaneously with critical US domestic and political touch points that result in a period of nearly limitless defense spending, increased US conflict involvement, a global financial crisis, and a political shift in Presidential politics similar to the one experienced during the latter years of the Vietnam War. Therefore, Operation Enduring Freedom, and the in-depth historical examination of the private
security industry’s roles dictated by the US government serve the purpose of further understanding the phenomenon that is the private security market.

The Islamic Republic of Afghanistan is a rugged, mountainous, land locked country in South Asia that lies along the intersection of the historic silk routes. US involvement in Afghanistan dates back to the Cold War between the US and Soviet Union during the 1980s. The US, via the Central Intelligence Agency, began funding the Afghanistan Mujahedeen in their struggle to defeat the Soviet Union and force Soviet withdrawal from Afghanistan.55 After the defeat of the Soviet Union, the US quickly became disinterested in the continued finance and development of the country’s affairs that gave rise to a repressive and brutal Taliban regime.56 In the years that followed, the Taliban regime provided sanctuary and immunity for militant ideological extremists such as Osama Bin laden and his terrorist organization Al Qaeda.57 Osama Bin Laden used this sanctuary to his advantage and began planning for an attack against the United States.

On the morning of 11 September 2001, Al Qaeda operatives hi-jacked four commercial airliners and launched the most devastating attack on US soil since the Japanese bombing of Pearl Harbor nearly sixty years prior.58 In the days that followed, President George Walker Bush assembled the National Security Council at Camp David to discuss options for a measured

57 Ibid., 14-15.  
response against those parties responsible for the attacks.\textsuperscript{59} In a joint address to the Congress on the evening of 20 September 2001, the President outlined his demands to the Taliban regime although there was little, if any belief that American demands would be met.\textsuperscript{60} Less than a month later, on the morning of 7 October 2001, President Bush formally authorized military strikes against Al Qaeda targets in Afghanistan beginning America’s global war on terrorism.\textsuperscript{61} The operation possessed a clear purpose to remove the Taliban regime, disrupt or destroy Al Qaeda, and deny sanctuary and impunity to plan future operations from within Afghanistan.\textsuperscript{62}

The operational approach initially employed by the US achieved significant success without the presence of a robust land component force that characterized the Soviet Union’s military operation in Afghanistan. The US quickly turned its’ focus in Afghanistan to transitioning responsibility of what it perceived as Phase IV operations to the international community as US efforts shifted priorities to the future invasion of Iraq. The US wanted to limited its’ scope of any stability and reconstruction operations to the major cities of Kabul and Kandahar where US forces had established operations bases in the prior months of the intervention. Major combat operations were declared over after March of 2002 and the operations that followed between 2002-2006 were subdivided between US and European-led efforts.\textsuperscript{63} As allocation of resources focused primarily on US operations in Iraq, the security environment in Afghanistan began to regress as AQ and Taliban forces regrouped along

\footnotesize{\textsuperscript{59} George W. Bush, \textit{Decision Points}, Reprint ed. (New York: Broadway, 2011), 186.}

\footnotesize{\textsuperscript{60} Tim Bird and Alex Marshall, \textit{Afghanistan: How the West Lost Its Way} (New Haven: Yale University Press, 2011), 66.}

\footnotesize{\textsuperscript{61} Bush, 183.}

\footnotesize{\textsuperscript{62} Donald Rumsfeld, \textit{Known and Unknown: A Memoir} (New York: Sentinel, 2011), 367-368.}

\footnotesize{\textsuperscript{63} Bird and Marshall, 111.}
Afghanistan’s southwestern border in the federally administered tribal (FATA) region of Pakistan. The coalition efforts during this time maintained a ‘light footprint’ as US troop levels were capped by civilian and DOD leadership that focused primarily on the counter-terrorism mission of hunting down extremist operatives and AQ affiliates. Coalition forces, to include the US military failed to recognize the growing re-emergence of Taliban and AQ fighters during this period. As such, few resources were dedicated to the efforts in Afghanistan.64 However, the deteriorating security environment eventually refocused international efforts in Afghanistan as indicated by the influx of troops and allocated resources by the summer of 2009, and the long-term strategic commitments agreed upon by NATO and specifically the US. Throughout these chain of events in Afghanistan, contractors proved invaluable as they were instrumental in the decision-making processes that went into the force cap in the early years of the war, and grew in parallel to some degree as US troops on the ground also increased. The following is analysis of that particular growth.

As a point of departure, the first question to explore is the number of PMCs used during the intervention and their roles. This two-part question attempts to ascertain the number of private security contractors employed by the DOD to support the military intervention. By establishing the number of contractors used and identifying their various roles during the intervention, the established data will provide a baseline against ensuing focus questions to facilitate a thorough analysis of the purposed hypotheses in the section that follows.

The exact number of PSCs working in support of DOD contracts between 2001 and 2007 are difficult to ascertain. However, the US Central Command (CENTCOM) quarterly census reports for fiscal years 2008-2011, provides the most accurate government record keeping of contractors employed by DOD. These census reports began because of the NDAA of 2008 and

64 Ibid., 147-150.
growing political concern of the impacts of contractors on the battlefield. The CENTCOM report from August 2008 lists 41,232 total contractors operating in Afghanistan of which 3,537 were identified as PSCs. From September 2007 through December of 2008 the number of private security contractors in Afghanistan grew from 3,152 personnel to just under 3,700. Over the next four years, these numbers continued to increase exponentially. The final 2012 census report lists total contractors in Afghanistan at 109,564 and PSCs in Afghanistan at 18,914. These reported numbers include US citizens, third country nationals as well as local/host country nationals. These exponential increases over the last four years coincide with the troop surge implemented under President Obama’s administration that refocused US military efforts towards codifying security gains within the country. Figure 1 below depicts the relationship in terms of numbers between PSCs, total contractors and US troop strength recorded in Afghanistan as part of the legislation. The troop levels will be discussed in greater depth later on in this section.

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Private contractors have fulfilled various roles throughout the intervention and US military involvement in Afghanistan for the DOD. These roles, similar to codifying actual numbers of contractors on the ground, also pose hurdles to delineate clearly, as there are various interpretations of the definition of PSCs. However, some of the documented services and roles provided by contractors are fixed site security, intelligence and risk analysis/assessments, electronic surveillance, and security force assistance.

What laws, regulations and controls were in place regarding PMCs? The laws, regulations and controls in place for the employment and oversight of PMCs during Operation Enduring Freedom are important as they establish the parameters under which private security personnel may be employed. These legal guidelines are also beneficial to the military operational planner. The evolution and refinement of bureaucratic and military controls signify the

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69 Schwartz, 9.

recognition and necessity of senior political and military leaders to address the growing rise and prominence of contracted personnel working in the operational environment.

At the beginning of Operation Enduring Freedom there were few laws, regulations or controls at the national level. Established US laws governing the use of private security contractors were predominantly the AECA and the ITAR, discussed previously, that governs the export of defense articles and services that include private military and security firms. The 2008 NDAA in section 862, and amended by sections 853 of the 2009 NDAA and 832 of the 2011 NDAA establish regulations for all PMCs operating in support of major combat operations and other military operations. 71 Although not bureaucratic controls, DOD instructions (DODI) followed up these federal policies with instructions for private security contractors and operational contract support in contingency operations. DODI 3020.50 established regulatory policy and procedures for the selection, accountability, training, equipping, and conduct of personnel performing private security functions under contract during military operations in a deployed theater. 72 DODI 3020.41, signed in December of 2011, provided further guidance for the integration of operational contract support into contingency operations. 73 DOD directive 5210.56 provides policy for those authorized to carry firearms during contingency operations. 74


These three directives developed out of growing concern to provide better guidance and control over the prevailing use of private security contractors in Afghanistan and Iraq. As PSCs increased with equally expanded roles in both operations, the DOD faced an unavoidable requirement to clearly articulate clear policy and procedures that protected both contractors and the service members sharing the same area of operations.

What was the duration of the conflict? The duration of any contingency operation is paramount to the operational planner. In an expeditionary operation, the duration is included as part of the planning assumptions. This provides a point of departure for the planning, integration, synchronization and execution of supporting functions such as logistical life support, security requirements, and civil-military relations essential to mission accomplishment. Inclusive in these planning requirements are contracted support, such as fixed site security and logistical support. Contrasting the presumed duration set forth during the planning process against the operations actual length of time provides an indicator of how the employment and use of PMCs/PSCs correlates over time.

The initial planning for Operation Enduring Freedom began just days after the attacks of 11 September 2001. CENTCOM developed courses of action for different military options. These options were narrowed down and on 1 October 2011, Secretary of Defense Donald Rumsfeld approved the final military operation for briefing to the President. President George Bush received a final briefing from General Franks on the morning of 2 October 2001 and military action against Al Qaeda and Taliban targets in Afghanistan commenced five days later on 7 October. US Air Force strike packages that included long-range bomber aircraft and carrier launched fighter aircraft attacked thirty-one known or suspected Al Qaeda targets inside of Afghanistan. CIA and Special Force operators were already on the ground, organizing the Northern Alliance for war and identifying targets for strike missions. Major combat operations consisting of elements of the 10th Mountain Division, 101st Airborne Division, and US Special
Operations Command would follow along with the buildup of significant infrastructure and logistical networks in support of military operations.

The conflict’s duration exceeded initial planning considerations. US military planners, to include senior level leadership within the administration, never intended to engage in a decade long war that continues to consume considerable state resources and exacerbate the national deficit. As the war grew to reflect a protracted conflict, the level of troops and contractors achieved a tipping point where growth begins to increase exponentially. This will be discussed in detail later, but it is sufficient to note here that the prolonged duration of the contract represents interdependency between internal and external political actors that influenced a shift in the operational approach undertaken by the US military.

What was the scope of the conflict? Specifically, how many troops deployed in support of military operations in Afghanistan? This question attempts to answer the scope of the intervention, as a function of time, in terms of cumulative troop numbers relative to the documented number of private contractors employed by DOD in the area of responsibility. If the scope of the intervention increases over time because of an expanding area of operation and influence (scale), then subsequently there should be an increase in private contractors to support that expansion.

There are three significant periods that depict the changes in level of troops deployed in support of Operation Enduring Freedom. These three periods are initial combat operations to overthrow the Taliban regime, low-level sustained operations from FY2003-FY2006, and FY2006 to the present that reflects an increased level of violence in Afghanistan, and a change in Presidential administrations that refocused the intervention in Afghanistan to the forefront of America’s fight against Al Qaeda.\(^{75}\) The data of troops deployed during the duration of the

conflict vary depending on reporting method. The Congressional Research Service identifies five DOD methods for collection and representation of troop levels supporting the intervention. The method used for this study is the ‘boots on the ground’ count depicting actual monthly statistical data of those troops in Afghanistan. These numbers are illustrated below.

![FIGURE 2: U.S. Troops Levels Deployed in Support of Operation Enduring Freedom](image)

Initial combat operations began on 7 October 2001. The operational approach pursued at the outset of the intervention into Afghanistan relied heavily on the use of US Special Operations Forces supporting the anti-Taliban resistance under the Northern Alliance within Afghanistan. There were various reasons to limit the size of the Combined Forces Land Component Force (CFLCC) small including military endstate, operational tempo and local/international perception. The military endstate was the destruction of Al-Qaeda, the defeat

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76 Ibid., 22.

of the Taliban regime and the denial of sanctuary to plan future attacks against the US and her allies. Cognizant of Afghanistan’s history and her reputation as a ‘graveyard of empires,’ the administration did not want to repeat the mistakes of the Soviet Union or rehash another quagmire like the US experienced in Vietnam. The administration did not want to get involved in ‘nation-building’ either, there were no plans on staying to do police work, which they saw as a task for the UN. Additionally, the buildup of military combat power in the form of an overwhelming land force component required time to mobilize, deploy and employ considering Afghanistan’s geographically landlocked disposition. The months needed to achieve this would have sacrificed the element of surprise and afforded Al-Qaeda and its senior level leadership a trigger to relocate or go to ground.

Determined not to repeat the same mistakes made by the Soviet Union during their struggle against the mujahedeen during the 1980s, and confident in the ability to establish military superiority through the employment of close air support, the Bush administration pressed forward with a plan to support the anti-Taliban resistance through the Northern Alliance. By 16 November 2001, the Northern Alliance, assisted by US Special Forces achieved victory over the Taliban regime in the north and south. Kandahar had fallen and work began shortly thereafter to insert a new coalition sponsored government headed by Hamid Karzai. Additionally, the United Nations mandated the creation of an International Security Assistance Force (ISAF) in December of 2001 to assist the Karzai government regime and maintain security in Kabul with the potential to widen the span of operations as necessary in the future. At the same time, the US quietly

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78 Bird and Marshall, 80.
79 Rumsfeld, 377.
80 Ibid.
81 Rashid, 83 and 95.
shifted focus within the administration and the DOD away from Afghanistan in preparation for military operations against Iraq. Consequentially, Defense Secretary Donald Rumsfeld and General Tommy Franks instituted a force cap on the size of US ground forces for OEF in order to free combat power for the pending invasion of Iraq. The impact of this will be explored further when other deployments are addressed later in this section.

From 2002 to 2006, US troop strength in Operation Enduring Freedom remained relatively low and did not exceed 20,000 US Soldiers. There were justifiable reasons for this as well. For one, the United States still contested that a ‘light footprint’ on the ground provided the best operational approach because the administration believed a smaller force signature would incite the least resistance from the Afghan population, and facilitate the ability to exit the country quickly. Another driving factor in the lack of attention and commitment in part by the US, previously mentioned, was the run-up to and invasion of Iraq in the spring of 2003. As this operation gained eminence by the end of 2002, General Franks began pulling assets, to include collection platforms and special mission operators out of theatre, for the mission in Iraq.

The London conference in 2006, however, refocused international attention to Afghanistan with the adoption of an Afghan National Development Strategy (ANDS) and the acknowledgement of a deteriorating security situation evident in the increased number of attacks believed to be the result of Taliban resurgence. The mission remained a two-pronged approach with the American led effort under OEF and the European led effort under the ISAF command.

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83 Bird and Marshall, 113.

84 Ibid., 111.

85 Ibid., 112.
structure in Afghanistan. The developments of renewed international commitments between European NATO allies, and the severity of circumstances at the tactical and operational level by late 2006 were met by an increase in US ‘boots on the ground’ that reached just over 30,000 by the start of 2009.

The Presidential election campaign of 2008, laid the groundwork for the last four years of the war to date. In December of 2009 President Barack Obama, whose election campaign ran on refocusing efforts in Afghanistan, announced the deployment of an additional 30,000 troops to be on the ground by the summer of 2010. Over the course of President Obama’s first term in office, US troop strength in OEF grew to a high mark of approximately 100,000 before beginning to draw down in the summer of 2011. This number coincided with an international contingent that reached over 42,000 during that same build up period. These deployment levels were enabled as the operation in Iraq began to drawdown, which freed up US combat power to address the security problem in Afghanistan, similar to the situation that sparked the surge in Iraq in 2006-2007.

As of September 2012, US forces deployed in support of OEF are just over 68,000. Both the NATO and US led missions are scheduled to conclude at the end of 2014. All combat operations will cease at the end of 2014, with the US expected to retain a small force structure inside of Afghanistan as part of an enduring partnership agreement between the two nations. The

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86 Ibid., 92.
87 Livingston and O’Hanlon, 4.
89 Livingston and O’Hanlon, 4.
composition of this force structure is still being discussed in Washington between defense
officials and senior administration officials.

What other conflicts or deployments were ongoing and how many troops participated?
Other ongoing conflicts and deployments involving US military forces have significant bearing
on the necessity and use of PMCs during Operation Enduring Freedom. These other competing
requirements inform both the civilian and senior leadership as well as military planners to the
pool of available forces that can be committed to the operation. If the US military, operating
under the auspices of civilian policy, commits or reallocates priority of focus to other theaters of
operation, then the result should demonstrate an increased demand for the private security
industry to fill the ensuing security gap. The presence of additional conflicts or deployments
demonstrates a continued reliance by Presidential administrations to employ hard power to in an
try to pursue strategic aims abroad.

The US military is the only country in the world that maintains global reach through the
establishment of nine Unified Combatant Commands of which six are geographically aligned. In
September of 2001, the preponderance of US military forces deployed outside of the continental
United States (OCONUS) resided in the European (EUCOM) and Pacific (PACOM) areas of
responsibility. 90 Within these two geographical combatant commands, the US military’s focus
concentrated around Germany, Japan and Korea. These forward deployed areas represent
enduring strategic commitments in Europe, Southeast Asia and the Pacific that stem from US
involvement in both World War II, and Korea that continued during the Cold War era as the US
instituted a policy of deterrence to stymie the spread of communism. In 2001, about 20 percent

90 Depart of Defense. “Active Duty Military Personnel Strengths By Regional Area and
(accessed December 12, 2012).
of US military were deployed overseas, of which half constituted the forces assigned in Germany, Japan and Korea.91

The US military was also involved in contingency operations in Kosovo and Bosnia as members of the North Atlantic Treaty Organization (NATO). The US involvement in Bosnia began in 1993 with the airdrop of relief supplies for Muslims facing Serbian repression and violence in Bosnia.92 US involvement expanded by 1995 with the creation of a NATO implementation force (IFOR) to assist in implementing the Bosnian peace agreement. The US participation in the NATO-led mission grew to approximately 20,000 service members in support before steadily declining between 1996 and 2001. Between July 2001 and September 2002 the US military force participating in the Bosnian mission declined from 3,800 to 2,200 and had dropped to approximately 1,800 by the end of 2002.93 The US participation ended on 2 December 2004 with the transfer of the NATO-led Stabilization Force (SFOR) to the follow on European Force (EUFOR) mission.

Operations in Kosovo began on 24 March 1999, with the commencement of airstrikes against Yugoslavia’s government in response to their ethnic violence on Albanians. The US expanded their participation in the NATO-led Kosovo Force (KFOR) mission to include approximately 8,500 service members by December of 1999.94 In 2001, that force structure comprised 5,679 military service members. Over the last decade, US involvement in the KFOR mission continued to downsize with 760 currently committed to the UN peacekeeping mission there.

91 Ibid.


93 Ibid., 23-25.

94 Ibid., 21.
Additional conflicts ensued as the Global War on Terrorism expanded in the months and year preceding the deployment of forces to Afghanistan that include Operation Iraqi Freedom (OIF), Operation Enduring Freedom-Philippines (OEF-P) and operations in the Horn of Africa (CJTF-HOA). In November of 2001 the Bush administration began preparations for a military invasion of Iraq. By March of 2003, the US led coalition assembled for the invasion of Iraq numbered nearly 292,000. The Congressional Research Services 2009 report on US troop deployment levels in both Afghanistan and Iraq shows that for FY 2003 the average monthly “boots on the ground” in Iraq equaled over 67,000. By 2004, this number exceeded 130,000 service members and reached its apogee during FY 2008 of 157,800 troops before troop reductions began under President Obama’s administration reflecting a change in the politics both domestically and abroad.

What was the size of the military? The size of the military throughout the operation is significant because when compared against competing demands for finite resources, the senior political and military leadership must allocate resources based on priorities. The operational planner bases a majority of the planning considerations against available forces and uses that information to create options to achieve operational objectives that are nested in achieving strategic aims and objectives.

On 7 October 2001, the size of the US military numbered 1,385,116 personnel with 480,801 personnel representing the Army component. As noted above, twenty percent of that active

95 Franks, 270.
96 Ibid., 365.
duty force resided forward deployed in support of enduring strategic partnerships at bases in Europe, Japan, Korea and the Middle East. The expansion of the Global War on Terrorism in 2003 increased the percentage of troops overseas to greater than thirty percent of the total force structure. In May of 2009, the US Army active duty force strength totaled 547,000 personnel before another temporary increase was announced by Secretary of Defense Robert Gates to grow the Army by another 22,000. 99 This growth in the force reflected the need to achieve a balanced and healthy force. At the end of December 2011, the total US military endstrength on active duty assignment numbered 1,414,149 with 558,571 representing US Army personnel of which 102,200 US military personnel, or 68,100 US Army service members, operated forward deployed in support of Operation Enduring Freedom. 100

The protracted struggles of the US military endeavors in both Afghanistan and Iraq and the enduring strategic commitments in the various geographical combat commands required the growth of the US military force structure to maintain operational tempo in both theaters of operation and the competing strategic military partnerships worldwide. As troops increased in Afghanistan and Iraq, the support requirements and demand for additional PMCs to meet mission requirements also grew in numbers. This decision, although driven by demand, existed in part due to the availability of funding.

What percentage of the national budget do military outlays represent? Specifically, did the US Defense budget increase, decrease or remain neutral over the course of the intervention?

October 29, 2012).


This question looks at total dollars spent during the intervention in terms of how much of the federal budget was apportioned to defense spending. The correlation between private contractors employed by the US military during the intervention and defense spending should be inverse. If the defense budget decreases over time, the data should point to an increased reliance on the private security industry. This is because the largest single requirement of the defense budget is personnel, specifically active duty service members. Likewise, if spending increases, there should be fewer proclivities to hire contractors as evident in the data.

In 2001, at the beginning of military operations into Afghanistan, national defense spending totaled $304.7 billion dollars, which equaled 16.4 percent of federal outlays. From 2002 through 2011, defense spending increased annually and now totals $705.6 billion dollars representing an increase of 1.7 percent of US GDP. As of 18 March 2011, the US Congress authorized a total of $1.283 trillion for military operations and other related costs for operations undergone since September 2001.101 Of this authorized total, $444 billion, or thirty-five percent, of approved Congressional resolutions were dedicated to OEF.102

From the start of combat operations in Afghanistan in October 2001, defense spending in nominal dollars and as a percentage of US GDP increased annually. Current US defense spending for 2012 stands at an estimated $716 billion dollars. An original hypothesis was that private contractors increase when budgets are reduced. The represented data above indicates the opposite. Thus, contractor presence should demonstrate a reduction in numbers over the same period. However, the data suggests that as defense spending increased, spending on contracted services followed in unison.


102 Ibid., 1.
ANALYSIS

Hypothesis one stated when military outlays decrease there is an increase in the use of private security. The evidence suggests that hypothesis one is not supported. From 2001 to 2012, military outlays in nominal dollars increased annually. At the same time, funding for contracted services also increased annually. Between 2002 and 2008 private security contractors operating within OEF rose to 3,700 before increasing exponentially between 2008 and 2011. Currently there are over 109,000 contractors, of which 18,000 are private security contractors operating in Afghanistan. Thus, the data suggest that increased spending in defense allowed for the DOD to employ more contractors that facilitated political needs to keep troop levels at a minimum.

Hypothesis two stated that when the size of a national military decreases there is an increase in the use of private military security. The evidence suggests that hypothesis two is not supported over the span of the conflict. When operations began in Afghanistan, the US military went to war with the Army available as determined by the reductions in spending and personnel during the 1990s. Since 2002, the size of the US military increased total end-strength due to the requirements placed on the military in carrying out two wars while simultaneously meeting competing global strategic commitments.

Hypothesis three stated that when the number of military disputes, engagements or conflicts increases there is an increase in the use of private security. The evidence suggests that hypothesis three is supported. Between 2002 and 2012, the use of private security contractors rose yearly with the preponderance of growth occurring during President Obama’s administration. The expansion of the GWOT into Iraq significantly tested the operational reach of the US military. Although, structured to fight two wars, the protracted nature of both conflicts exceeded initial planning assumptions and required additional capacity to meet the security challenges of the two conflicts. This additional capacity in military man power necessitated presidential and congressional authorization that required time. However, contractors were readily available
solutions to augment and support the mission requirements that did not require additional authorization through legislative channels.

Hypothesis four stated that when the duration of a military conflict increases there is an increase in the use of private security. The evidence suggests that hypothesis four is supported. As noted above, between 2007 and 2012 the number of private security contractors in Afghanistan increased by 400 percent to a current number of 18,914 as of the latest census. Operations in Afghanistan are entering the twelfth year of conflict. The private security industry has been employed since the outset of conflict when it provided fixed site security details for the CIAs initial entry teams in 2001. As the US military footprint expanded throughout Afghanistan so has the private contractor’s role.

Hypothesis five stated that, when there is a decrease in bureaucratic controls and regulations there is an increase in the use of private security. The evidence suggests that hypothesis five is not supported. In the early years of the war between 2001 and 2005, few bureaucratic controls were constructed in response to the use of contractors in the battlefield. By 2007, the US Congress applied greater scrutiny to oversight of the use of contractors on the battlefield due to contractor related incidents in combat but did not increase the controls through specific legislative acts that would have restricted their use. Section 862 of the NDAA of FY2008 specifically establishes guidelines for contractors performing private security functions in combat operations. A considerable stream of audits and studies by the Government Accountability Office (GAO), the Congressional Budget Office (CBO), and Congressional Research Studies (CRS) ensued accordingly and provided a wealth of information on the use of contractor statistics in today’s conflicts. However, these increased oversights have not stymied the expansion and increased reliance of contractors on the battlefield as evident by the collected data.
This section presented the case study and the focused research questions necessary to conduct an informed analysis of the specific supply-demand characteristics present in the theoretical framework presented in the previous section. The collected data and observations over the span of the intervention in Afghanistan demonstrate substantial reliance on private security contracting to augment or support military operations in the theater. The prevalent use of contractors by 2006 gained the attention of the US Congress that instituted new oversight and reporting requirements to more accurately track the use of contractors forward deployed in support of hostilities involving the US military. The DOD also addressed the issue with directives. The US military’s expansion of the Global War on Terrorism to include Operation Iraqi Freedom, Operation Enduring Freedom-Philippines, and operations in the Horn of Africa and an annually increasing defense budget over the first ten years of conflict only further justified the demand and employment of private contractors. The data collected will now be applied against the developed hypotheses to further test whether the US military’s use of PSCs displays monopsonist characteristics.

CONCLUSION

This study was framed around the question of how operational planners can capitalize upon the private security industry’s services to promote greater synergy into future planning processes. The argument postulated that the increased use of PMCs in Operation Enduring Freedom could be analyzed through the lens of supply-demand theory as a basic theoretical framework. More specifically, the US government and the private security industry operate in a specific type of market known as a monopsony where demand, not price controls purchases. The seven focus questions presented in the case study sought to determine the relationship and influence of explicit variables to the use of PMCs during the intervention. The goal of this study was to test the validity and robustness of Stanley’s theoretical approach to the phenomenon in
question. This section presents the findings, examines the significance, and suggests where to go from here.

The findings of this research demonstrate that the underlying influences to the increased reliance and use of the private security industry cited from extant literature (decreased size of the military, decreased spending on defense, and an increased number of hostilities involving US response) are insufficient. These conditions provide only a point of departure for understanding the industry’s pervasive use in Afghanistan. The data suggests that defense spending and the size of the military, experienced increased growth over the duration of the conflict until FY2012, yet the use of total contractors and PMCs both exhibited growth trends during the same period. More importantly, the prevalence of contractors on the battlefield experienced a tipping point where steady growth was followed by an exponential rise before leveling off and eventually beginning to decline. As the conflict exceeded the anticipated duration and scope of the conflict’s initial planning assumptions, PMCs assumed larger roles. The implication is that even with authorized increases in the size of the US military’s land component, the deteriorating security environment in Afghanistan and mounting domestic political pressure against increasing troop levels requested by military commanders required a compromised alternative. The use of contractors provided the necessary political freedom to more or less match the force required with an array of both uniformed and privately contracted personnel. However, as Thomas Bruneau concluded in his analysis of PMCs in combat, the employment of private contractors lacked a unifying purpose in the overarching strategy.

The significance of the findings suggests that demand is a strong determinant in the prominent rise of private contractors in today’s contemporary operational environment. This demand is a function of the conflicts duration and the number of conflicts or strategic commitments engaged upon by the US. Pending cuts to the military budget and ongoing reductions in the size of the force only further elevate the roles that contractors may assume in
future conflicts. Accounting for this potential in the system demands that US military develops an inter-operability capacity that better accounts for contractors operating unilaterally on the battlefield and incorporates their capabilities into the military planning processes in the hope of achieving greater synergy towards a shared purpose or strategic aim.

The need for more research is evident. Contracting is more or less the sixth service within the DOD. As our nation copes with meetings its broad obligations domestically and abroad, the strategic threat environment dictates a viable and healthy military force to provide for the common defense of our nation’s interests. The NDAA of 2008 and its continuums established a point of departure for data collection, analysis and oversight of this phenomenon. However, greater fidelity is necessary in the typology of services offered by the private military and security industry. Additionally, the use of contracted services must meet a higher level of transparency, accountability and oversight. The use of contractors is bound to continue in an age of policy that looks to avoid large-scale military operations, employ the limited resources of the government with greater efficiency, and maintain flexibility to respond to emerging crises.


