

From Cowboy Detectives to Soldiers of Fortune: Private Security Contracting and Its Contradictions on the New Frontiers of Capitalist Expansion

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Statesmen, diplomats, business leaders, aristocrats, fascinated by their profession, invited the Pinkertons to their dinner tables and in time accepted them as the law in America, a land they viewed as part frontier. Within a decade the Agency had changed from a unique private American firm of bounty hunters to a sophisticated organization of international law-enforcement officers.—Horan (1967: 255)

Still, for every economic hand wringer, there is at least one cowboy capitalist ready to tame the new frontier. “It’s like Texas in 1879,” said Ihsan Hussein Ali, who was not sure why he chose to cite that year in particular. There are no rules.—Vieth (2003)

THIS SPECIAL ISSUE OF *SOCIAL JUSTICE* EXAMINES THE CURRENT RECRUDESCENCE, global expansion, and market concentration of the private security industry.¹ Today’s private security boom is to a large extent powered by the revival of an old service for new markets: assisting in original accumulation. Private security has once again been called upon to help conquer new frontiers for capitalist exploitation, assisting with primitive accumulation in a transnational neoliberal project that proceeds largely through “accumulation by dispossession” (Harvey, 2003: 67).² The neoliberal³ economic policies of global privatization and economic deregulation currently championed by the U.K. and the U.S.—coupled with the “war on terrorism” (which is substantially an imperialist exercise)—are creating a hothouse for private security entrepreneurs, largely U.S. and British, who offer for sale a panoply of services to governmental, nongovernmental, and transnational corporate clients. Private security is growing at a spectacular rate in Latin America, Eastern Europe, Africa (Cilliers, 2003, and Gumedze in this volume), India, as well as the Middle East and the Far East, including China (Dutton, 2000,

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and Trevaskes in this volume). In Argentina, Brazil, Mexico, and Venezuela, hundreds of thousands of private security guards—some registered, many not—patrol factories, cattle ranches, oil pipelines, mines, retail businesses, and the homes and gated communities of the rich (Huggins and MacTurk, 2003; Webb-Vidal, 2006; Ungar, this volume). Though North America remains the largest market for private security, the market with the greatest profit potential is found outside the advanced capitalist nations.⁴

With over 13,000 mostly small local and regional companies employing over a million and one-half guards, the U.S. market is highly competitive and primarily price driven. In this labor-intensive business, the only way for the three leading companies (which together command about 40% of the total market) to increase profits is through consolidation, which is stated as a primary objective in their annual reports (Securitas, 2005: 45). Beyond acquiring a larger share of the domestic market, one of the most enticing business prospects for the giants is to police failed or failing states on behalf of the U.S. government and transnational capital. In occupied Iraq, U.S. consul Paul Bremer's September 2003 neoliberal "shock therapy" removed tariffs and duties on imports, reduced the tax on corporate property, and—by Order 39 of the Coalition Provisional Authority—opened all sectors of the economy to foreign investors (Whyte, 2007; see Ruggiero, this volume). But the chaos surrounding U.S. occupation requires heavy security for entrepreneurs. Tens of thousands of security contractors and private soldiers supplement regular military forces of the coalition (Scahill, 2007), and private security will undoubtedly play a central role in securing that part of the Imperium after most of the regular military forces withdraw.⁵

Privatizing Iraq is an early phase of the neoliberal (and neoconservative) project to establish control of the resource-rich "arch of instability," which includes an archipelago of countries running from the Andean Region (especially Colombia and Venezuela) through Africa, the Middle East, and Central Asia. The privatization of Iraq is part of a historic process of forging a wage-earning class by destroying previous modes of production.⁶ This privatization cannot look like colonial theft, so the objective of the neo-imperialists is to create a bourgeois constitutional state—beholden, of course, to the U.S. and multinational capital—to protect private property, ensure contract law, and rationalize production for smooth corporate functioning. But this neocon dream is fundamentally at odds with the reality of neoliberal policy, which diminishes sovereignty and weakens state apparatuses, and in the process cripples the mechanisms that could regulate the market and exercise an effective monopoly of legitimate force on behalf of corporate interests. In other words, neoliberal policies lead to "failed state syndrome," generating popular resistance and low-intensity warfare. The extreme class asymmetry of neoliberal rule militates against routinization of class relations and the institutionalization of conflict resolution, such as prevailed during the liberal corporate or Fordist period, when Keynesianism fostered class interdependence (Wilterdink, 1995).

In their cogent study of the origin and early development of private security, Spitzer and Scull (1977: 19–20) employed a useful analogy to capitalist development. Private policing made its appearance with the transition from a mercantile to capitalist economy, a time during which the colonial *posse comitatus* and constabulary forms of policing were abandoned for “piece-work” by private guards and detectives. During the Gilded Age, the American Bankers’ Association, various industrial “employers associations,” and cattlemen’s associations were formed to pool financial and political resources for mutual property protection and labor discipline (Weiss, 1986; 1981).⁷ Eventually, however, an essential contradiction became intolerable: piece-rates gave private security providers too much control over their work, in effect encouraging a reduced output. Especially on the labor front, armed confrontation inflamed rather than subdued the objects of policing. Contingency or piece-rate policing “proved relatively unstable and short-lived” (Spitzer and Scull, 1977: 27) because it “could not organize police labor on a rational basis and integrate control services within a coherent administrative framework.” By the 1940s, private detective policing had been abandoned by the major corporations in favor of more rationalized and legitimate controls based on compromise, mutual accommodation, and cooptation of labor organizations. This was a major difference in class relations between *laissez-faire* and liberal corporate capitalism (Kolko, 1963; Weinstein, 1968). In contrast, today’s “frontier” policing is a throwback to the *laissez-faire* capitalist era of labor spies and strikeguards doing piecework on “designated assignments,” and bears familiar contradictions. Neoliberal “structural adjustment” and buccaneer capitalism generate increasing unemployment and underemployment among young men, many of whom join the ranks of criminal gangs, insurgents, and sectarian militias that constitute a considerable challenge to accumulation.⁸

To provide a broad historical context in which to understand the contradictions of private security, we will sketch the historical outline of private security transformations, and conclude with this observation: private security contractors are unlikely to subdue individual and collective resistance or transcend direct conflict because of the basic asymmetry between the antagonists. With the structural inequality and weak state apparatuses of neoliberalism, the development of an institutionalized method of worker self-discipline, such as the trade-labor movement in U.S. history, is unlikely. Capital will be unable to re-create on a global basis the mutual accommodation characteristic of the Fordist period, when Keynesianism resolved class struggle “over distributive questions” while union bosses disciplined the rank-and-file for smooth profit accumulation.

Challenges to Accumulation and the Private Security Response in Three Political-Economic Periods

Over its long historical development in England and North America, the commercial or contract security business has waxed and waned and assumed different

forms and functions in response to the changing needs of capital (economic development) and the transformation of the state. This political economy of private security is best exemplified by the history of giant detective businesses such as the Pinkerton National Detective Agency, which was a pioneer in exploiting profit opportunities and in helping to define the three epochs in the political economy of private policing. These periods of private policing reflect major developments in U.S. political economy: *laissez-faire*, *liberal corporate*, and *neoliberal*. Each era has occasioned a distinctive security “complex,” or interconnection and interweaving of private and public powers, to form a composite of coercion on behalf of capitalist development. The character of this blend reflects the distinctive challenge to capital accumulation at each developmental stage: in the form of *producers* and *predators* in the 19th and early 20th centuries, then principally as *consumers* and *white-*

Figure 1: Challenges to Accumulation and Private Security in Three Periods of U.S. Political Economy

	<i>Laissez-Faire: 19th to early 20th century: Pinkertons Detective Dynasty</i>	<i>Liberal Corporate: 1945–1970 “Police-Industrial Complex”</i>
Threats to Capital/Challenges to Capitalist Relations and Accumulation	Producers and Predators Labor unions; cattle rustlers; gangs; bandits; international “gentlemen” criminals; political crime; theft and fraud by the 1920s	Consumers and White collar criminals (embezzlement and fraud); corporate espionage; commercial crime; political and order maintenance.
Private Services Police: Prisons:	Private Eyes, Private Armies Convict lease	Private Spies and Rent-a-cops (“telephone cops”)
Geopolitical	National Markets	Global Markets
Political Economy	Buccaneer and laissez-faire corporate	Monopoly capital accommodationism; “Fordism”
Role of State	Tolerance: Leasing and Partnership	Supersession in labor discipline and benign neglect in commercial sector
Legitimation	“Self-help”	“Efficiency” and Deregulation
Legal Rationale	Property Rights and Right of Contract	“Mass private property”
Circulation of Personnel	Flow from private to public sector	From public to private sector through private clubs and secret societies.

Figure 1 (continued)

	<i>Neoliberal: 1975 to 21st century. “Security-Industrial Complex”</i>		
Threats to Capital/Challenges to Capitalist Relations and Accumulation	Lumpen Surplus Population; Gangs, organized crime and floating surplus population.	Producers, Predators and Competitors Labor discipline (“asset protection”); employee vetting; protection of intellectual property; crisis management.	Discontents Rebellion, resistance; labor in the “arch of instability.” Terrorism and Homeland Security.
Private Services	Executive Mercenaries; Global intelligence and risk analysis; Private military and rent-a-cops;		
Police:	Private prisons and industry.		
Prisons:			
Geopolitical	Imperial Domination.		
Political Economy	Post-Fordist, Service economy at home and Rentier Authoritarian versus Mafia capitalism abroad.		
Role of State	Subcontracting and Outsourcing on “failed state” assignments.		
Legitimation	“Third Wave,” “competitive sourcing.”		
Legal Rationale	Nation-building for national security.		
Circulation of Personnel	Complete interpenetration of sectors.		

collar criminals in the postwar period, and, today, on the new frontiers of capitalist expansion, *producers*, *discontents*, and *surplus populations*. After a brief analysis of each of major period in the political economy of private security, we will identify the central tendencies of security as a *business enterprise* under neoliberalism and conclude by identifying the contradictions that these tendencies generate.

Frontier Regions of Expanding Capitalist Relations: Primitive Accumulation from Jacksonian America to Iraq and Other “Failed States”

Within a few years of opening the nation’s first private detective agency in Chicago in 1850 (as the North-Western Police Agency), Allan Pinkerton quickly expanded his commercial property protection and loss recovery services for banks and railroads throughout the western U.S. and Canada. By the Victorian Age, Pinkerton’s agency provided worldwide detective operations in pursuit of professional thieves, with whom they developed a system of “compromise” called “working back,” whereby the thieves would return a portion of the stolen goods in exchange for their freedom (Horan, 1967: 256).⁹ While the Agency’s preferred public image was that of a thief catcher, its most lucrative and notorious 19th-century business was

in “industrial services,” especially industrial plant “protection,” labor espionage, and strikebreaking. Detective agencies provided much of the muscle for the Robber Barons and cattle barons at a time when the state was weak and organized labor was gaining strength, and the fundamental meaning of capitalist property rights was being established in legislatures, courtrooms, shop floors, company towns, and cattle ranches of North America.¹⁰ By the late Robber Baron era, Pinkerton’s Detective Agency had become a corporate dynasty—the nation’s only national police, able to mobilize nearly anywhere on the continent on short notice to deal with cattle rustlers, bank robbers, bandits, and striking workers.

Although labor discipline was Pinkerton’s most lucrative maiden service, the brutal “labor wars” of the early 20th century were fought without them. The political fallout from the Homestead Massacre in 1892 and new market developments led the agency to surrender the sordid strike guard business to the numerous smaller competitors that flourished by century’s end. These “slugging” crews—some of which were barely distinguishable from organized crime—did not, however, constitute a significant competitive sector. Four major tendencies¹¹ of the security industry emerged by early 20th century: *consolidation, legitimation, rationalization, and corporatization*.¹² Thus, shortly after the turn of the 20th century, the William J. Burns International Security Services joined Pinkerton as the two corporate giants dominating the private contract security sector, and they did so by establishing new markets for security services that assisted in the transformation of capital. The development of the monopoly sector under liberal corporate capitalism helped large industrial employers overcome one of the principal drawbacks of paying for one’s own company security: the “free-rider problem” (Spitzer and Scull 1977: 23). Capital was able to socialize the costs of labor discipline by shifting the burden of shop-floor labor discipline to union bureaucracies (Weiss, 1986; 1987). The diminishing number of strikes were handled by the National Guard (Zinn, 1980: 346–349), state police agencies (Bechtel, 1995), and increased federal political policing by the FBI (Lowenthal, 1959). By World War II, the growing symmetry in the refractory forces of U.S. labor and capital made negotiation the smartest employer strategy. The big “establishment” security companies, Pinkerton and Burns, abandoned labor espionage and union-busting services completely by the 1930s in favor of the burgeoning areas of industrial espionage and counterespionage, corporate embezzlement and fraud, and residential and commercial security policing of “mass private property,” such as shopping malls (see Shearing and Stenning, 1981). During the Cold War, they added services to protect against domestic and foreign terrorism, sabotage, and executive ransom kidnapping in North and South America.

The liberal corporate nature of the security business immediately after World War II is usefully illustrated by the history of the Wackenhut Corporation, which joined the Pinkerton-Burns duopoly in 1954. The political savvy of George R. Wackenhut, a former FBI Special Agent, fundamentally altered the security in-

dustry by recapturing federal government contracts. He accurately predicted that a lucrative market could be obtained in rent-a-cops for state, federal, and municipal governments. He staffed his company's management and board of directors from the ranks of retired state and federal government operatives, reversing the flow of personnel between the two sectors.¹³ With the help of the law firm of Florida's Senator George A. Smathers, Wackenhut found a legal loophole to circumvent the 1893 Pinkerton Act prohibiting detective agency employees from obtaining private security contracts with the federal government by creating a wholly owned subsidiary that did not employ "detectives," merely "guards." Cultivating right-wing political connections, Wackenhut epitomized the police-industrial complex of the Cold War period. Old-boy networks (O'Toole, 1978) of retired federal agents were used to gain inside information and influence, especially from among those in government service eyeing a lucrative retirement opportunity in corporate or private security. By the late 1960s, his fascist-uniformed "Wackencops" were busy guarding prisons, airports, nuclear test sites, U.S. embassies, and other federal facilities. Flourishing on government business, Wackenhut soon opened subsidiaries in the Caribbean and Latin America. By the mid-1980s, Wackenhut reintroduced private involvement in prisons (Dolovich, 2005). Operating now under the name GEO, the company's most profitable ventures are in prisons and correctional services, detaining the domestic and migrant surplus populations and other castoffs of neoliberalism.

Even before the widespread fiscal crisis of the late 1970s, Wackenhut grasped the neoliberal or classical economic insight that tax expenditures (in the form of government security provision) could be transformed into private profit opportunities as commercial security, and thus contribute to the GDP. Turning administrative costs into potentially large profits allows neoliberals to upsize control while claiming to downsize government. Wackenhut was also in the forefront in his understanding that the fear of communism could be commodified. His guard services were a bread-and-butter necessity for his early detective agency, but his real business future was in protecting classified projects at Lockheed Martin¹⁴ and NASA from communist spies, and in his services in the analysis and management of corporate risk as a major market opportunity. Wackenhut's foray into government work anticipated today's *security-industrial complex*. Other early players in the current epoch included the private intelligence agency, Intertel, founded in 1970 by Robert Peloquin, a former Naval Intelligence and national security operative, and Kroll investigative and security services, founded in 1972 by Jules B. Kroll. The organized crime investigation unit Peloquin put together included over a dozen former officials of the Secret Service, FBI, U.S. Bureau of Customs, IRS, and Defense Department. Using the latest technology developed by the military and expertise from former government operatives, in-house and commercial agencies provided services in political snooping, the compilation of dossiers, and wiretapping.

The *security-industrial complex* emerging today involves many different services for an unprecedented variety of clients, including NGOs, corporations, governments,

and even local citizen groups (Kempa et al., 2000; Avant, 2006). What they have in common is *state failure*.¹⁵ In contrast to 19th and 20th century imperialism, which denied sovereignty to its colonies and protectorates, neoliberal globalization, or the “new imperialism” (Harvey, 2003) utilizes weak or failed client states that are exploited through dispossession and the tyranny of the market. Primitive accumulation under neoliberalism is a violent affair, igniting political resistance as well as intensifying organized crime and a wide array of labor discipline problems (Cha, 2004; Bacon, 2005). Hence, neoliberalism reprises the process of policing social junk and social dynamite (Spitzer, 1975).¹⁶ The U.S. occupation of Iraq, for instance, has attracted over 126,000 private security operatives,¹⁷ contracted to help reestablish police, prison, and even judicial functions through companies such as DynCorp. Along with Blackwater and Global Risk Strategy, DynCorp also has a major security presence in Afghanistan. The private prison and detention industry is also making significant inroads internationally. After a business slump around 2000, the prison business has rebounded in the U.S. and is being reinvigorated and transformed internationally.¹⁸ Homeland Security and immigration control are the fastest growing markets for detention services in the U.S. (Crary, 2005; Kolodner, 2006), and the private prison industry has revived under neoliberal penalty (Weiss, 2001). Individual states are turning to private companies to help run a vast array of public-sector services, including management of correctional, detention, and mental health and residential treatment facilities in the United States, Australia, South Africa, the United Kingdom, and Canada. The entire private security sector has grown more than 20% in the U.S. alone over last decade, and now comprises more than 13,000 companies employing over a million and one-half workers (Bureau of Labor Statistics, 2006).

Failed and Weak State Security Contradictions

On the surface, commercial security would appear to be the perfect neoliberal institution because private force thrives in an environment of heightened insecurity, currently aggravated by a U.S. neoconservative foreign policy favoring intransigence over diplomacy (Meyer, 2007: A1), and within weak and failed states that are unable or unwilling to provide governmental security (Goldsmith, 2003; Liu, 2005a,b). Neoliberal “shock therapy” increases violence and the threat of terrorism by destroying public welfare provisions that foster true social security. And in advanced capitalist nations, fear can be stoked. The desire for security will always exceed the available supply when politicians engage in the “discourse of fear” (Altheide, 2006: 78–85) concerning crime, disorder, and terrorism. Following neoclassical economics, which favors exchange over production, the value of a good is determined by its subjective scarcity of supply rather than by costs of production. Increasing fear leads to increasing security demand and rising prices without inflation. In his analysis of the neoclassical economic rationale behind outsourcing public security, Liu (2005c) observes:

According to the theory of marginal utility, since fear drives up demand for security, the demand and therefore the price for private security will rise if the supply of government provided security is reduced. Higher prices for private security are not inflationary if the value of the benefit (perceived safety) also rises. Thus rising fear from terrorism is good economics in that it creates rising demand for private security services at rising prices that are not inflationary because of rising fear, and contributes to a rising GDP.

This neoclassical dynamic gives rise to a fundamental contradiction of neoliberal security: “private security companies have no financial incentive to promote peace and stability,” Liu (2005c) continues. “The dependence of the state on their contracted services gives them an influential voice in formulating state policies. Security threat is big business and any reduction in threats in fact threatens the economy.”

Because the security business prospers on social instability and insecurity, collective *insecurity* becomes a primary objective of its stakeholders. In other words, fear and government failure become good economic policy. Where genuine security threats are not sufficiently profitable, exaggeration and fabrication can supplement, as in the days of the labor spy racket (Huberman, 1937) and McCarthyism. Pinkerton Consulting and Investigations, Kroll Risk Consulting, and a host of other security enterprises perform “security assessments” and do undercover work and interrogation for corporations and governments around the world. In the words of a leading private security provider, the security industry transforms “risk into opportunity.”¹⁹ The “management of risk” in the age of terrorism, asymmetrical warfare, and the politics of fear is a dream come true for purveyors of private protection. The social benefits, however, are meager. Any real security that they provide is generally limited to the narrow interests of their immediate employers, not that of the larger society.

As in the *laissez-faire* period, individual purchasers of security services have no financial incentive to provide for the security of other parties—neither for the general security of society nor for their competition. The cost-benefit equation just does not balance in favor of helping free riders. If, as a matter of coincidence, a particular corporate security contract enhances the general security of society, that company has a public relations plus. But private firms have no incentive to provide social benefits if the costs exceed their own narrow protection; indeed, they would like to socialize the costs of their own security by having tax dollars pay the tab. The only clear winners in the security-industrial complex are buccaneer capitalists, the security companies, and the politicians who engage in the politics of fear. Neoliberal globalization—which increases inequality within and across nations²⁰ and weakens social programs and institutions of social protection that might mitigate the worst

effects of inequality—creates a more dangerous world that does not appear to be even in the long-term interests of the capitalist system.

The contradictions of private security under neoliberal globalization can be illuminated by examining in more detail the four major historical tendencies of private security: *consolidation, legitimation, rationalization, and corporatization*. Consolidation is the oldest trend of the industry, already under way in North America by the late 19th century. Consolidation requires, and is enhanced by, legitimation. Limiting supply drives up production value, and a good way of limiting competition is by establishing a costly regulatory system to which all contractors must adhere.²¹ To avoid ungovernable disorder, it behooves the state to regulate private force—or at least limit the freelance “detective” variety that historically has trailed off into organized crime, threatening legitimate business interests in the form of “shakedown” operations. Pinkerton and Burns are now part of the Swedish corporate behemoth, Securitas, with annual revenues in excess of \$2.5 billion. The dominant security firms also prefer to emphasize their nonviolent “high end” services in espionage and risk analysis (or, “logical security,” the expenses for which can be more easily inflated than low-end “physical security”). They strive to rationalize their operations for long-term capital gain and—in true neoliberal fashion—intensify and expand their markets by increasing the specialization, frequency, and formalization of transactions.²²

Oligopolistic companies require large amounts of capital to stay on top. Although some large security firms are privately owned, such as Allied-SpectraGuard, which consolidated two independent companies in 2000 to form the largest independently held contract security services firm in the nation and the fourth largest overall, the other major players are publicly owned and must appeal to stock market investors for capital. This means that they corporatize, incessantly marketing themselves for Wall Street investors with slick advertising and, in the process, sacrificing “quality service for image that sells” (Liu, 2005a). Squeezing contract security guards through low wages and bad working conditions is a major way to maximize profits.²³ At \$19,400 in 2005, the average pay of guards working for security companies is about 20% lower than for the other half of the security guards in the U.S. who are proprietary or in-house guards, employed directly by companies and organizations (at \$24,141). With the help of these savings, Securitas profits climbed 189% during the decade of the 1990s. The Lehman Brothers investment firm’s index of security industry stocks rose 169% from August 2001 to summer or the fall of 2006 (Kessler, 2007: 6), fueled largely by acquisition activity and the proliferation of specialized services by the giants. Group 4 Securicor, which merged its way to the top of the security services industry (Wackenhut is a subsidiary), increased its stock value on the London Exchange threefold from mid-2003 to January 2007. GEO’s stock value has enjoyed a near 200% increase over the last three years. To lower labor costs and increase profits, the mercenary sector of private security now recruits paramilitary forces for Iraq and Afghanistan in Africa, among former fighters in

Namibia, Uganda, South Africa, and Mozambique (Hanes, 2008). The globalization of “conflict labor” (McDonnell, 2008: 1) also includes several thousand Latin Americans, recruited by U.S. contractors such as Triple Canopy from among former soldiers and police used to combat leftist rebels. Chileans, Colombians, Hondurans, and Salvadorans perform rent-a-cop guarding duties at checkpoints and guard towers, and are paid considerably less than the security elite recruited from the U.S. and Britain (*Ibid.*). According to the president of the International Peace Operations Association in Washington (Hanes, 2008: 1), recruiting in Third World nations is merely a manifestation of globalization. It also makes legal accountability murkier.

The impressive profitability of the security industry provides a powerful incentive to fashion public and foreign policy around its interests, often at the expense of the social interest.²⁴ Undermining genuine security is the network of personal and financial connections among state officials, multinational corporations, and private security companies that constitute a neoliberal security-industrial complex. This is exemplified by Africa (Cilliers and Mason, 1999: 3), representing one of the most blatant instances of security corruption after Iraq. Several security companies operating in Africa are mere adjuncts of multinational extractive corporations, as in the case of Executive Outcomes, which secured the resource-rich areas of Angola on behalf of the government, followed by a Branch-Heritage subsidiary that gained concessions over those same resources (Cilliers and Mason, 1999; Pech, 1999: 96; Schreier and Caparini, 2005). In the U.S., companies such as Blackwater (the recipient of nearly one billion dollars in State Department funding since 2003) have not overlooked the higher-educational component of the rapidly expanding security-industrial complex. The controversial company has a joint operation with the police-training institute at the University of Illinois (Gould-Wartofsky, 2008: 22). For a cut of the multibillion-dollar homeland security largesse, a growing number of universities are providing research, training, and enhanced legitimacy for security companies and, in many other ways, helping to “foster a homeland security culture within the academic community” (DHS, 2008: 1). The Department of Homeland Security provides fellowships, scholarships, and research funding to “support, stimulate and sustain the Nation’s intellectual capital in academia” (DHS, 2008: 1). Such interpenetration of state, civil, and corporate interests poses some challenging questions for theorists of the state.

Theoretical Considerations

Some investigators have interpreted private security as a loss or shift of sovereignty (Baldry, 1996; Kempa et al., 2000), or “hollowing out the state” (Rhodes, 1997). Though these might be useful conceptualizations of the situation in many countries and regions of the Third World, advanced capitalist nations have not surrendered sovereignty; they have merely contracted out state power. As Nasser (2003: 25) argues, “since contracting out merely shifts the locus of service produc-

tion, what is privatized is the means of policy implementation, not government's role in making such policy possible." It is important to recall an old and salient distinction: the state is not the government (Laski, 1935: 9–45). To assert its power, the state can employ mechanisms or agents other than the government. As Loader and Walker (2004: 224) observe in critiquing the haste to abandon "state-centered" notions of policing, "the state continues to have the ultimate authority over who may resort to coercion." Whyte (2003: 575) concurs: "the emergence of those markets [private military] should be understood as an expansion rather than a diminution of the coercive and violent capacities of states." Far "from representing an erosion or subcontracting of sovereignty," the private military market is "better described as a highly unstable process of re-regulation (a transferal of law) by a catalytic state" (*Ibid.*: 599). The U.S. and other advanced capitalist states are important partners in the hegemony of global capitalism and the transnational capitalist class (Robinson, 2004).

The neoliberal state, like the *laissez-faire* state of the 19th and early 20th centuries, employs accumulation by dispossession—generating violent resistance as well as social pathology. This contrasts sharply with liberal corporate capitalism, the intervening political economy that saw decreasing income and wealth inequality and political democratization (Wilterdink, 1995: 9). Mindful of the interdependence of capital and labor in a largely *national* economy in international competition, the U.S. state asserted its authority during the liberal corporate era to control police power directly by superseding private use of violence in labor discipline, while permitting private companies to supplement and augment anticrime efforts. During the Fordist period, private security firms refocused to concentrate their business on policing the consumer, white-collar criminality, and intra-corporate intrigue. In the postwar period, labor bureaucracies and federal laws such as the Taft-Hartley Act governed class relations better than private armies could. The hundreds of small "slugging" anti-union agencies hired by companies in the competitive sector during the labor wars of the early 20th century were disruptive of companies in the monopoly sector, most of whom advanced a liberal corporate political agenda, and thus were the objects of state intervention to regulate their behavior and performance. Bridling private security was part of the "great transformation" (Polanyi, 2001) of state intervention in the market on behalf of the progressive sector of capital to help maintain harmony in the relations of production.

The current political economy is a profound departure from the Keynesian era. Neoliberalism wed to neoconservative foreign policy as "benevolent hegemony" (Fukuyama, 2006) has shifted much of the class struggle to the Third World, especially Latin America and Africa, where accumulation by dispossession and hard-knuckle labor discipline is most intense. The "only answer is the repression by state power of popular movements," argues Harvey (2003: 208). In their geopolitical conflict over precious resources, advanced capitalist states draw on private contractors as an option that is more flexible, politically palatable domestically,

and, absent veterans' benefits and other entitlements, less expensive in the long run. Low-level warfare involving private military forces will be used to contain resistance movements, while private guards will be called in for labor struggles over job security, unionization, and compensation, as well as to police against organized crime and other predators attracted to the sudden displays of wealth. The future of the security industry is bright, but the prospect of harmonious social relations is not certain—unless the historical process repeats itself, and we see greater interdependence of capital and labor and greater equality globally. This is likely to happen only if capital runs out of new frontiers and must compromise to accumulate. Meanwhile, social progressives can work toward greater accountability for the entire private security and mercenary industry through more effective national, regional, and international regulation utilizing contract law (Dickinson, this volume) and criminal law (Holmqvist, 2004), including courts-martial jurisdiction (Peters, this volume).

NOTES

1. For purposes of our analysis, the “private security industry” will be defined broadly to encompass (1) for-profit policing (guarding, detection, and intelligence); (2) paramilitary activity; (3) for-profit “correctional services,” including prisons for adult felons, juvenile confinement, and alien detention; (4) psychiatric hospitals, and (5) probation and parole services, including electronic monitoring.

2. Much of neoliberal globalization involves original or primitive accumulation and, especially in the agricultural sector, it is a major contributor to an enormously large global floating surplus population. According to Harvey (2003: 145):

primitive accumulation reveals a wide range of processes. These include the commodification and privatization of land and the forceful expulsion of peasant populations; the conversion of various forms of property rights (common, collective, state, etc.) into exclusive private property rights; the suppression of rights of the commons; the commodification of labour power and the suppression of alternative (indigenous) forms of production and consumption; colonial, neo-colonial, and imperial processes of appropriation of assets (including natural resources); ... The state, with its monopoly of violence and definitions of legality, plays a crucial role....

See also Byres (2005).

3. Neoliberal ideology promotes the primacy of property rights, minimal government, fiscal austerity, free trade, privatization, and deregulation.

4. The industry estimates the average long-term annual growth in Asia and Latin America to be 12%, about twice that of the mature markets (Securitas, 2006).

5. The heavy private security presence will then resemble regular business security, and is less likely to bear the stamp of U.S. imperialism—or so corporate interests hope.

6. For critiques of the privatization of Iraq, see Eviatar (2004), Klein (2003), and Krugman (2004).

7. In the *laissez-faire* period of the U.S. political economy, the state's coercive power was not centralized but instead dispersed in regional centers. Because the central state coercive apparatus was weak and local governments offered little sympathy, association-sponsored private policing was created as a vital link between elite direct-action policing outside the formal state and federal government policing characteristic of the modern state. This arrangement of forming political-economic associations, therefore, was an important precursor of modern state power in the Western U.S. frontier. As Tilly

(1985: 173) observes, “early in the state-making process, many parties shared the right to use violence, its actual employment, or both at once.”

8. The reality of this in Iraq has become apparent to the Pentagon, which is involved in a bitter dispute with the State Department over the decision by the deputy undersecretary for defense to reopen dozens of state-run factories that “could reduce violence by employing tens of thousands of Iraqis. Officials at State counter that the initiative is antithetical to free-market reforms the United States could promote in Iraq” (Chandrasekaran, 2007). The problem is that private investors are put off by the dangers involved in trying to run factories there.

9. Another version of the system involved “making a deal with the underworld to buy back their property and that of their depositors. The secret negotiations usually took place through a lawyer retained by the thieves. The unwritten rule of the game was that no one would get hurt. The securities were returned to the banks, while the crooks retained their freedom along with a percentage of the loot and the banks refusal to prosecute (Horan, 1967: 256).

10. The spread of capitalist relations of production saw the once economically independent cowboy become a mere agricultural hired hand, a member of a distinct class of workers in deed of discipline. By the last quarter of the century, the “cowboy, like the prospector before him, became a wage earner in a large corporate, even oligopolistic enterprise” (Hine, 1973: 130). Between 1879 and 1885, the cattle industry expanded and concentrated in European and Eastern U.S. corporate ownership, which dominated the choicest lands and left small independents severely limited. Most cowboys were forced to sell their labor for low wages and under poor working conditions, and cowpunchers trying to compete as small owners were often accused of rustling by the large interests and were subjected to the violence of vigilantes and private detectives like Pinkerton’s Charlie Siringo (1912). Other erstwhile corporate cowboys resisted domination by resort to banditry or rustling.

11. The sense in which we employ the term “tendency” is as an essential feature of security enterprises. These tendencies are stronger than trends, as one feature seems to lead ineluctably to the other. See Nasser (2003: 28) on the underlying structural features generating regularities, such as in the tendencies of capital to concentrate and centralize.

12. Corporatization is a management approach that promotes private competition for public service provision. Unlike the regulated utilities of Ma Bell’s day, today’s providers are preoccupied by profit maximization rather than public responsibility. Security giants are hyper-commercialized to enhance their appeal to banks and Wall Street investors.

13. William J. Burns served three years (1921–1924) as the Justice Department’s first director of the Bureau of Investigation (predecessor to the FBI), and then returned to his private agency after being asked to resign. But the flow of sectors would be primarily from the private to the public through World War II.

14. As part of a trend of companies in the military-industrial complex to branch out to the security-industrial complex, Lockheed Martin has become a private security provider.

15. Or, more accurately in the case of advanced capitalist countries, government failure. On the distinction between state and government, see Laski (1935).

16. Liu (2005a) aptly captured the Catch 22 of neoliberal imperialism: the United States “prescribes policy measures that aggressively weaken the state apparatus and that inevitably lead to failed statehood. At the same time, the U.S. is also a leading proponent of superpower military intervention in failed states around the world.”

17. We do not know exact numbers because the industry is not regulated or required to report such data. According to the Private Company Security Association of Iraq, in early 2006 there were 177 companies employing about 20,000 security personnel (www.pscai.org/).

18. Privatization reached an impasse by the late 1990s. The number of prisoners in adult private prisons reached a plateau in 1998 and began to decline, prison profits were flat, and police and corporate security income was declining. At its peak, building prisons on speculation compounded market saturation and overcapacity (“Overview: Trends in the Crime Control Industry, Private Prisons, Prison

Policy Initiative, at www.prisonpolicy.org/prisonindex/overviewprivate.html). Some states bailed out a few private operators by paying for the empty beds, but public criticism soon limited this escape hatch. Several companies went bankrupt and others seriously curtailed security services. Not only had the industry reached a ceiling in market growth, but media criticism also spread doubt about the benefits of privatization, raising the issue of whether commercialization of a “core function” of government was compatible with the public interest. No sooner had privatization obituaries been written, however, than the industry rebounded. Prison industry stock prices climbed 15 to 45% by early 2004, and the Group 4 Securicor share price climbed 100% from 2005 to early 2008. In the U.S., Homeland Security, the continuing drug war, and harsher enforcement policies against illegal aliens have created a rapidly expanding market for private security and detention services.

19. “Businesses throughout the world, both domestically and internationally, are faced with an ever-increasing set of risks. Global terrorism, sophisticated criminal enterprises, political turmoil, and unethical competitive practices present formidable challenges to companies operating in all areas of the global marketplace” (“About Us,” Custer Battles, LLC, website, 2004).

20. Whether globalization has increased inequality is a matter of dispute, with much of the controversy relating to how inequality is measured (Wei and Wu, 2001). China and India, for instance, have become much richer nations over the past 30 years, but the degree of inequality within them has increased substantially. For arguments that global economic deregulation has increased poverty and inequality within and across many nations, see Weller et al. (2001). However one interprets the data, relative deprivation is perhaps more potent than absolute poverty in generating resistance and reaction to capitalist development. As Birdsall (2002) observes, “what really matters...is the terrible gap in average incomes between rich and poor countries and the growing gaps in income across people within countries such as China, Mexico, South Africa, and Thailand,” where, we might add, private security services have exploded.

21. The “regulation of private military security...should be understood as the facilitation rather than the restraint of those markets. States are playing a formative role in the expansion of private military markets,” observes Whyte (2003: 575).

22. Securitas, “Market-Driving Forces,” Annual Report 2006. Beyond adding several new specialized services and making selective acquisitions in the Netherlands, France, Spain, Argentina, Colombia, Turkey, and Romania, Securitas has fragmented itself. At the start of 2006, Securitas split the company into four new “focused” divisions, three of them with separate listings on the Stockholm Stock Exchange (Loomis will be added in late 2007). Securitas directors anticipate that this consolidation of competitors and self-fragmentation, along with customer “segmentation,” will return higher rates of growth and market expansion (Securitas, 2006: 8; 19).

23. Security guards in the U.S. have a major impediment to overcome in the “Guard Law” (Section 159, Title 29 of the National Labor Relations Act), which allows management to refuse to recognize membership in unions or their affiliates that represent members other than guards.

24. A recent example of efforts to influence the political process can be seen in Corrections Corporation of America’s shareholder rejection of a “proposal by a group of faith-based stock owners to require the prison operator to report twice a year on political contributions,” which amounted to nearly one million dollars in soft money from 2002 to 2006, not including money given to trade groups for political activities (French, 2007).

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