

UNU-WIDER Private Military Companies from Renaissance Italy to Modern Day Afghanistan

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Military contractors - condottiere - and their men were not welcome anywhere in Renaissance Europe. No one enjoyed the presence of these mercenary forces, and all were desperate to make them go away, fast and by whatever means. In a much repeated story, Catherine of Siena, a nun, famously beseeched one such contractor, John Hawkwood, with the compelling logic unique to her time: go and join a crusade to harass the Muslim Turks for the good of Christendom.

'I pray you sweetly for the sake of Jesus Christ, that since God and also our Holy Father have ordained for us to go against the infidels, you - who so delight in wars and battles - should no longer war against Christians, because that is an offense to God. Go and oppose them [the Turks] for it is a great cruelty that we who are Christians should persecute one another. From being the servant and soldier of the Devil, may you become a manly and true knight.'

The invocation fell on deaf ears. Hawkwood, an Englishman, declined the proposition and resumed pillaging the Italian countryside. He had got there around 1360 with an assortment of experienced fighters who suffered unemployment when their erstwhile employers took a mid-term break in the Hundred Years' War.

In a book, *Castles, Battles, and Bombs: How Economics Explains Military History* (see further reading) my co-author Hubert van Tuyl and I examine six episodes of military history from the last millennium from the viewpoint of six fundamental principles of (neoclassical) economics. We investigate, for example, the condottieri in the Italian Renaissance from the point of view of principal-agent aspects of labor contracts. Remarkably, although historians have examined political and technological aspects of the period, few have looked at the labor contracts after whom the condottieri are named. The contracts were in written form but, like all contracts, incomplete. No contract can specify fully all contingencies that might arise. Thus, as disputes arose, the contracts evolved. They became very specific regarding muster, pay, the division of the spoils of war, and innumerable other details; they became lengthy and ran into thousands of words; they became standardized and formulaic; they included loyalty clauses and clauses for binding arbitration; and they occupied the great legal minds of the time.

The contractors were hired by major powers such as Milan, Venice and Florence and a bevy of minor ones, e.g., Bologna, Ferrara, Genoa, Lucca, Pisa and Perugia. Alliances among all of these were formed and dissolved with astonishing frequency. In one 43-year time span Siena For instance joined defense leagues in 1347, 1349, 1353, 1354, 1361, 1366, 1374, 1380, 1385, and in 1389. Likewise, mercenary companies roamed the countryside, contracting here, there, and everywhere in search of revenue. Their growing size - 10,000 men plus the supply trains and coteries of lawyers, priests and prostitutes were not unusual - demanded of the lead mercenary uncommon leadership and management skills, in addition to military skills. Recruitment and the ability to provide credible steady pay posed endless challenges, supplying men with horses and weaponry - the most important capital items - was expensive and frequently achieved by means of credit, billeting the men and finding fodder for the horses over the winter campaign lull was a recurring seasonal problem.

Contracts addressed issues related to the minimization of opportunism, dealt with shared risk-taking, and generally needed to align incentives between principal and agent. The overall objective was to prevent shirking: the mercenary must fight when necessary, and the paymaster must pay as agreed. Contracts needed to be policed, and at low cost: if the contracted action cannot readily be observed, an observable substitute must be found that is correlated to the desired action. Although an ostentatious display of abundant men, horses and equipment may look impressive, it does not reliably signal a mercenary's ability and willingness to conduct battle and have his men's assets to be parlayed into future contracts - die in it. The condottiere faced a principal-agent problem of his own of course: how to raise, manage, and keep his soldiers who, while securing their livelihood, could be expected to flock more readily to such leaders as would keep them out of harm's way. Base-pay plus bonus-pay ("first man over the city wall gets double pay") became common for example.

As reputation effects became important, cities and mercenaries both became interested in longer-term contracts: why let a good mercenary take a contract with an opposing city? Why leave a reliably paying city for a contract with a less reliable paymaster? Thus, a measure of contract stability evolved and eventually some warlords became lords in their own right. For example, Francesco Sforza (1401-1466) is only the most famous of the condottiere who would come to rule a sizeable realm himself. He was to become Duke of Milan in 1450, culminating his warrior career with an enlightened, peaceful sixteen-year long reign. Conversely, to finance their sumptuous courts, lucrative mercenary contracts

induced some lords to become warlords. Thus, Federigo da Montefeltro, Duke of Urbino (1422-1482), was both a renowned connoisseur and patron of the arts as well as a successful and widely respected condottiere.

Fast forward some 600 years. The academic literature still contains almost no economic analysis of modern day private military and security companies (PMCs and PSCs). The so-called greed and grievance debate has engendered some discussion on warlords in the context of civil war but not down to the level of who hires whom, the details of implicit and explicit contracts, contract enforcement, and contract fickleness in light of (probably) the very same kinds of principal-agent problems that bedeviled the contracting parties in the Italian Renaissance. Because so many African wars involve one or two or more groups of irregular forces and because the ongoing wars in Afghanistan and Iraq include irregular forces as well as PMCs and PSCs hired by states, it surprises that relatively little attention is given to thinking through issues of contract transparency and public accountability from an economic point of view.

Our own analysis proceeds from asking two questions. Taking the second question first - what is the best feasible governance structure by which to provide security? One has to entertain the possibility that the answer might well be "a private force" rather than "a public force," if only because the private provision of security is pervasive. But before the second question about the organization of force can be asked, one must still pose the first question: what kind of good is security anyway? It makes little sense to ask what is the best feasible governance structure by which to supply security unless one has gained a feel for the sort of security one wishes to see supplied in the first place. Perhaps different types of security are best supplied by different governance structures.

Toward addressing the first question, we locate different forms of private security provision in "goods space," i.e., along the two well-known dimensions of the degree of exclusion (how easy is it to exclude non-payers from benefitting from the provision of the good?) and the degree of rivalry (can the good, once provided, be enjoyed by many potential beneficiaries simultaneously - like sunshine - or does its use tend to be restricted to only one person or a very small group of persons at a time?). We argue that security is not nearly as much of a homogeneous good as tends to be assumed. Sometime security is a public good indeed. But sometimes it is either a private good, or a common-resource pool good, or a club good. We also find that goods "migrate" or move around goods space from one category to another, depending on the dynamics of the underlying specific case. Once allowance is made for different types of security - for the different purposes security fills at different times and locations - we find that the particular governance form chosen for the provision of security varies. Sometimes it is private, sometimes public, often mixed. Of course, a security good for some can be an "insecurity bad" for others and our analysis easily translates to consider varieties of insecurity.

Other chapters in the book deal with the issue of castle building in the High Middle Ages (a single castle could absorb a king's entire annual revenue and was thus not unlike the ever more fixed-cost expensive super weapons of today), the decision to offer battle with the incipient mass armies of the Age of Battle and the Napoleonic era, the economics of information asymmetries in the American civil war in the early 1860s, the strategic bombing of Germany in the Second World War, and the decision by France to replace a good portion of its expensive field army with a seemingly less expensive nuclear 'force de frappe'.

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