Chapter 2 - The US intelligence apparatus and the private sector: origins and evolution, 1776-1989

The private sector has played a key role alongside the US intelligence apparatus throughout the history of the American state. This chapter builds on archival material, oral testimony, and secondary literature to explore this shared history.\(^1\) The approach is both thematic and chronological. The first theme emphasises the particularity of the US political context. The values underpinning the formation of the United States have constituted a particularly permissive environment in which the private sector (both individuals and private organisations) was able to assume an increasingly significant role in national security affairs. In the US, the strength of liberalism and individualism means that the private sector enjoys widespread public legitimacy.\(^2\) This generated a particular relationship between the public and private sectors, which included aspects from the realm of national security. These ideological foundations partly explain why, since the origins of the American Republic, leaders have more readily embraced the role of private actors in the formulation and the implementation of decisions in the realm of national security.

The chapter highlights the continuity and gradual rapprochement between the US government’s security apparatus and the private sector. American history from the Declaration of Independence (1776) to the end of the Cold War (1989) can be divided crudely into three eras. In the early days of the US Republic, the federal government remained reluctant to engage in intelligence activities. In this context, the private sector filled the gaps and took a relatively important role in national security affairs. By the dawn of the twentieth century, the US government’s attempts to institutionalise intelligence multiplied significantly. However, the public perception of intelligence as a disreputable activity slowed its institutionalisation, and when the government appeared reluctant to engage in intelligence and national security activities, specialised companies continued to provide such services. This era of ambiguity lasted until the surprise attack on Pearl Harbour in 1941 and the subsequent US entry into the Second World War. From 1941 onwards, the expansion of the role of the federal government in national security affairs provided an increasing number of

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opportunities for the private sector to develop its role alongside the US government’s national security apparatus. In the aftermath of the Second World War, the institutionalisation of intelligence was also accompanied by an expansion of private sector intelligence, and during the Cold War, the private sector shared the intelligence community’s successes and failures.

Finally, the chapter considers the limits of private sector involvement in intelligence and national security. The significant role played by the private sector in national security affairs has drawn criticisms emphasising its ‘undue influence’ to quote President Eisenhower on American politics. In this view, the close bonds between public and private actors weaken executive control and legislative oversight of the security industry and threaten the efficiency of the federal government’s national security policies. Moreover, the private sector has been involved in some of the most controversial activities carried out by the US intelligence community, some of which have threatened US civil liberties, human rights, and, to some extent, the US political system. Furthermore, the role played by the private sector alongside the US intelligence community (IC) has made it the target of hostile organisations’ infiltration, therefore generating further public concern about counterintelligence.

**US political culture and the place of the private sector**

**Liberalism and individualism**

The significance given to liberalism and individualism in US political culture has greatly influenced the conception of the public-private divide and the development of national security. When the colonies declared their independence (1776), their heterogeneous population of migrants chose to distance themselves from a continental political heritage that, according to Louis Hartz, was marked by rigid structures of wealth and authority. The Founding Fathers of the US, and by extension the American people, drew inspiration to build a new political system from the writings of the Enlightenment and the libertarian philosophy

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that was so prominent in the late eighteenth century. According to John Locke, one of the most influential figures of the Enlightenment, individuals own natural rights and the unpredictability of life force them to form civil societies. Hence, within a given society specific mechanisms should protect individuals’ natural rights. The consequence in terms of state foundation is straightforward: the nature and scope of the government are to be defined by the degree to which they can guarantee citizens’ natural rights. For Michael Foley, in America, liberty and the rights of the individual are intertwined. The individual is both the main focus of, and the primary beneficiary of freedom. From this perspective, the Bill of Rights (1789) embodies ‘the American belief that freedom preserved by the state must always be qualified by guarantees of freedom from the state’. Eventually, since individuality is the basis of the social order, the public interest is conceived as an addition of individual interests.

The representation of various interests characterises the American conception of sovereignty that power is disaggregated between the institutions of government and the people. In the US, the electoral mandate reflects the people’s control of Congress. Gordon Wood points out how the American conception of the public good focuses on ‘people’s welfare’ and the maximisation of their voice in the government. In this system, the promotion of interests is considered to be legitimate as long as it is open and transparent. Various individual and organisational interests ‘freely’ compete in the market for ideas. The concurrence of these interests, James Madison hoped, would compensate for humanity and societies’ lack of virtue. An implication of this model is a relative empowerment of the private realm and the development of interest group politics. The concept of ‘respectable majority’ holds that a large interest group concerned with a political decision at the federal level can require that its interest be taken into account. In this participative system of democracy, groups of citizens such as the National Military Intelligence Association

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7 Ibid, p.37.
legitimately promote interests that are not necessarily shared by the majority of the population.\textsuperscript{13}

**The public-private distinction**

The meanings (legal, symbolic, and functional) given to the public-private distinction, and the importance given to its dimensions (public and private realm/sphere/domain, sector and interest) vary from one country to another.\textsuperscript{14} Morton Horwitz points out that the distinction between public and private domain emerged from theories of sovereignty.\textsuperscript{15} The American conception of sovereignty aims for a wide representation of the various interests within a heterogeneous society. In the US Republic, the people or society are the ultimate point of legitimacy. The rule of law allows the people to formally establish the public realm. The US Constitution of 1787 - the most elementary fundament of the rule of law and a document to which the American people remain very committed to the present day - enshrines the limits of the confidence the American people delegates to the government.\textsuperscript{16} In turn, the law also defines the public or private status of an organisation. The public sector is generally understood as the government, its agencies and its employees and the private as companies, associations, and individuals.

The US conception of the public-private distinction has been marked by the development of free-market capitalism. As such, the rule of law protects the private realm ‘against incursions from the public domain of government’.\textsuperscript{17} Élisabeth Zoller remarks that the US republican model rejects the detachment between the state and civil society and makes no formal distinction between public and private law.\textsuperscript{18} It is only later, in the nineteenth century, that this distinction took shape. Horwitz describes how, while the market emerged as ‘a central legitimating institution’, legal thought strived to develop ‘a clear separation’ between public law and ‘the law of private transactions’.\textsuperscript{19} In this context, private law was


\textsuperscript{14} For an examination of some of these aspects, see: A. Claire Cutler, ‘Artifice, ideology, and paradox: the public/private distinction in international law’, *Review of International Political Economy* 4/2 (1997) p.274.


\textsuperscript{16} In this thesis, the US Constitution is understood as the written Constitution of 1787; and, more generally, the set of laws, institutions and habits that define the governmental system of the United States.

\textsuperscript{17} Foley, *American credo*, p.79.


\textsuperscript{19} Horwitz, ‘The History of the Public/Private Distinction’, p.1424.
considered as ‘a neutral system facilitating voluntary market transactions and vindicating injuries to private rights’. The US conception of the public-private distinction leaves little space for the public sector to govern. Jeffrey Henig explains that laissez-faire ideas identify the realm of the market with individual freedom and progress and the realm of the government with coercion. This explains why the development of a modern state in the US has been dependent on the development of the market economy and the success of capitalism. As a result, public and private affairs, the political and economic spheres, are strongly connected. In this liberal capitalist system, the private sector needs the public sector to develop itself, legal scholars point out that ‘corporations exist by authorization of the state’. Furthermore, the private sector needs government regulation to prosper and conversely, the federal government and its institutions rely on the legitimacy of the private sector. However, the balance between free-market, private interests and democratic government is not easy to maintain and when the system does not regulate the role of money in politics, laissez-faire benefits to the groups with the most economic, financial, organisational power. Corporate resources and interests can then distort the representativeness of the electoral process and this possibility is particularly problematic when the interests of a wealthy faction threaten the quality of life of a majority of the people.

To some extent, the US conception of the public-private distinction contrasts with a social democratic tradition that associates the public sector, or the government, with the pursuit of the public interest. The idea of public sector also symbolises due process, administrative fairness, and protection of citizens’ rights. Walter Baber emphasises a series of ‘assumed distinctions between the private and public sectors’ according to which the government is supposed to be held to stricter legal standards, have ‘greater responsibility to

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25 Foley, American credo, pp. 90-1.
26 For example, Max Weber observes that the state is that entity which claims a monopoly on the legitimate use of violence. Yet he also argues that the state may elect to delegate as it sees fit. Weber’s ‘Politics as Vocation’ first consisted in a lecture delivered in Munich in January 1919 during the German Revolution. This context is entirely different to the American state formation and modern existence. Max Weber, ‘Politics as vocation’, in H.H. Gerth and C. Wright Mills (eds), From Max Weber: Essays in sociology (Abingdon: Routledge 1998) p.78. On Social Democracy, see: Thomas Meyer, The Theory of Social Democracy (Cambridge: Cambridge University Press 2007) p.91.
respond to issues of fairness’, ‘operate, or appear to operate, in the public interest’, and maintain public support.27 On the other hand, the private sector is often characterised by its pursuit of private interests, and profit in the case of companies.28 For this reason, in most Western countries, the private sector is not trusted with the furtherance of certain activities in the realm of national security that are considered sensitive because of their proximity to the public interest. In the US, where the conception of the public-private distinction is so particular, the idea of the government as a proponent of the public interest is also encountered. For example, a senior government official recognises that civil servants have a ‘duty of loyalty to the collective best interest of all’ that commercial companies are lacking.29 However, the contribution of the private sector and its market logic to the government’s legitimacy and power has been more openly embraced.30 In that sense, the correlation of public organisations with public interest and private organisations with private interests is not so straightforward. In fact, in contemporary America, the word public is often associated with a rather negative experience in such terms as “public schools,” “public housing,” or “public transportation” that is synonymous with second-rate or cheap’.31 In many ways, the private sector is more respected and accepted as a symbol of freedom. This cultural trait partly explains why the development and legitimisation of the US national security state has been accompanied by the growth of private sector support networks.

**Society and national security**

The importance given to the private sector is visible at different levels within American society, including in the realm of national security. Following a liberal conception, the federal government was given limited power to coerce its citizens. The role of the people in maintaining their security is reflected in the Second Amendment to the Constitution which draws a parallel between ‘the security of a free State’ and ‘the right of the people to keep and bear Arms’. Robert Shalhope argues that the amendment stands for four beliefs that can be

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related to US republicanism: the right of the individual to possess arms; the fear of a professional army; the reliance on militias controlled by the individual states; and the subordination of the military to civilian control.32

Debates about the organisation of the military in a democratic society, and, in particular, the weight to give to citizen soldiers and military professionals have been central throughout the history of American military policy.33 Following the War of Independence (1775-1783), the fear of federal despotism and standing armies combined to give considerable powers to individuals.34 Richard Morgan points to an ‘antiexecutive element’ in the American political tradition and traces its origins back to ‘colonial resistance to royal governors’.35 This fear of military establishments was expressed by President George Washington when he deemed it crucial to ‘avoid the necessity of those overgrown military establishments, which, under any form of government, are inauspicious to liberty, and which are to be regarded as particularly hostile to Republican Liberty’.36 In the US, individually armed citizens can freely gather in militias to ensure those in power respect their liberties and their political freedom. The American Revolution (1763-1783) clearly demonstrated the American preference for a ‘citizen army motivated by duty and patriotism’ opposing ‘an old-style army that included the use of foreign mercenaries’.37 From the Revolution onwards, citizen militias have acted as a force ensuring the security of the people at home.38 Similarly society (individuals and private organisations) has played a central role in support of the intelligence apparatus from the revolutionary era onwards.

Continuity and gradual intensification

The early days, 1776-1863

The private sector has repeatedly imposed itself as a necessary partner in the fulfilment of the federal government’s ambitions with regards to national security throughout US history. The role played by the private sector in this context is neither surprising nor unique to the US experience. However, the case of the US stands apart from other great powers at the time such as France and the Great Britain because the government developed a more intimate and long-lasting relationship with the private sector. This relationship has evolved from *ad hoc* arrangements to increasingly commercialised and formal ties. In the early days of the US Republic, the absence of centralised government apparatus in charge of intelligence gave rise to a variety of specific situations. The history of US intelligence in this era is replete with examples of intelligence provided by non-governmental or private sources. Most of these services were provided in the context of wars. Before the War of Independence, Benjamin Franklin and the Continental Congress’ Committee of Secret Correspondence relied on a series of paid agents. For example, in the late 1770s, Arthur Lee, a physician living in London, was tasked to find out the position of foreign powers towards the Continental Congress. Furthermore, Lee met with a French agent to set up a trading firm called Roderigue Hortalez et Cie which was a cover to arrange French financial support to the Continental Congress. This reliance on the private sector was not limited to intelligence, or the US case. From the sixteenth century onwards, the use of privateers - private warships authorised by a country’s government to attack foreign shipping - allowed several countries to disrupt their adversaries’ trade. Their use was common during the Revolutionary War, as they were entitled to attack enemy vessels in wartime. In this context, a scholar notes that state action relied on the management of private forces to achieve the government’s goals. For the United States, the reliance on private forces can be related to the youth, the lack of

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organisation, and the shortage of resources of the federal government in the late eighteenth and nineteenth century.

After the independence of the thirteen colonies in 1783, the future President - George Washington - had his own experience in intelligence collection. Under his command, at the height of the American Revolutionary War, the Culper spy-ring (established in 1778) gathered information and led covert operations against the British army.\(^{42}\) Glenn Voelz describes the spy-ring as ‘an intelligence-gathering network managed by militia officers under Washington’s command using civilian auxiliaries as collectors’.\(^{43}\) Given the prominence of militias in the US, it should come as no surprise that commanders also relied on groups of civilian spies to support military operations. Moreover, intelligence apparatuses are bound to draw on the knowledge and cooperation of private individuals with local knowledge to gather information on their targets. The reliance on non-governmental sources was particularly important in the US since no formal intelligence apparatus existed. In August 1789, George Washington called for the creation of a Department of War.\(^{44}\) No intelligence division was to be part of this department, but Washington requested a ‘competent fund to finance intelligence operations’.\(^{45}\) Over the years, as intelligence remained decentralised, individuals with relevant knowledge tended to be enlisted when needed. During the American Indian Wars of the nineteenth century, Native Americans were enlisted as individuals or groups of scouts in the army to carry out reconnaissance missions.\(^{46}\) In the Mexican War (1846-1848), individuals with local knowledge were also enlisted and integrated in the army as a company: the Mexican Spy Company.\(^{47}\)

The absence of federal institution centralising the organisation of national security allowed the private sector to develop its scope of services. Among other organisations, the

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Pinkerton Agency became famous by providing security services to a wide range of clients, including the federal government. The Pinkerton Agency was established in 1850 by Allen Pinkerton who had been a cooper, a deputy sheriff, and then a detective on the Chicago police force.\(^48\) In the 1860s, the Agency was mostly contracted by private railroad companies to protect their infrastructure.\(^49\) Before the Civil War (1861–1865) broke out, the Agency had been working for George B. McClellan’s railroad company in a time when lawlessness threatened many private interests.\(^50\) Pinkerton was able to benefit from a considerable exposure to elite networks in both the business and military realms.\(^51\) During the Civil War, both sides, the Union and the Confederacy, relied on the services of spies.\(^52\) The organisation of intelligence was individualised and continued to depend on commanders because ‘no centrally directed intelligence agency’ existed at the time.\(^53\) When McClellan became commander of the Union’s Army of the Potomac, he hired Pinkerton and his agents to carry out intelligence functions.\(^54\) Pinkerton reportedly remained a civilian working under the cover name of ‘Major E. J. Allen’.\(^55\) For Glenn Voelz, Pinkerton’s private enterprise ‘performed quasi-governmental functions as one of McClellan’s primary intelligence gathering tools during the Peninsular Campaign’.\(^56\) Pinkerton and his agents were not the only detective force involved in the Civil War. Lafayette Baker, for example, carried out intelligence collection and counterintelligence for General Winfield Scott, the commander in chief of the US Army.

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\(^{50}\) Cohen, ‘Putting a Human and Historical Face on Intelligence Contracting’, p.240.


\(^{52}\) Andrew, *For the President's Eyes Only*, p.17.


\(^{54}\) Ibid.


\(^{56}\) Voelz, ‘Contractors and Intelligence’, p.589.
and then for Secretary of State William Seward and Secretary of War Edwin M. Stanton. Baker’s status was formalised when he became special agent for the War Department, then Special Provost Marshal, and finally Colonel in 1863. Importantly, both Pinkerton and Baker were never in charge of the entire intelligence apparatus. For example, Pinkerton was doing counter-espionage and interrogation of prisoners, but scouting or signal intelligence remained the domain of the division commander.

After the war, the Pinkerton Agency continued to provide security services to a variety of public and private clients. In the 1870s, the agency was hired by Secretary of State Hamilton Fish to track American support to Cuban rebels. Overall, it was involved in a series of activities that were broadly related to national security: acting as an independent police force serving individuals, companies or the government; conducting private investigations for firms such as Western Union; combating international crime for other states; collecting intelligence for the army of the Potomac and setting up the first US federal criminal database. The role the Pinkerton agency played in establishing the foundations of the Federal Bureau of Investigation and US military intelligence services emphasises the federal government’s inability or reluctance to engage in national security intelligence at the time. The executive branch could have established a more permanent and centralised intelligence apparatus; however, the government left enough space for detective and security agencies to develop themselves and provide services to whoever was able and willing to pay. As a result, private agencies and their employees went on serving both government and private interests. This created what Ward Churchill describes as a ‘de facto integration of private and public police-detective capacities’.

57 John Patrick Finnegan, Military Intelligence (Washington DC: Centre of Military History 1998) pp. 10-1; Andrew, For the President’s Eyes Only, p.18.
60 Morn, The Eye That Never Sleeps, p.63.
62 MacKay, Allan Pinkerton, p.183.
63 Ibid, p.11.
65 MacKay, Allan Pinkerton, p.72.
Interestingly, the provision of (national) security by the private sector was not restricted to the US experience. In the nineteenth century, private individuals as well as companies were acting as a police or detective force in France and Great Britain. However, the existence of a national police force and the historical monopoly of the public authority over means of coercion limited the expansion of private security in these two countries. In the US where the state had not established a clear monopoly over national security functions, the private sector had an enduring influence. Towards the end of the nineteenth century, while the private detective industry was declining in France and Great Britain, private police and investigators became more potent in the US.

An era of ambiguity, 1863-1941

Attempts at institutionalisation

From the late nineteenth century onwards, the emergence of the public administration paradigm set a trend towards institutionalisation that laid the foundation of a more permanent US intelligence apparatus at the federal level. Robert Behn points out three key aspects of the public administration paradigm: the separation of administration from politics; the application of science to the design of administrative processes; and the use of bureaucratic organisations to implement these processes. The rising prominence of this paradigm soon reached the domain of national security intelligence. In 1896, Arthur Wagner, a US major...
and military instructor, emphasised the importance of ‘the services of a spy permanently attached to a command’, and noted that these were ‘likely to be much more valuable than those of one who is employed only for the single occasion, and whose efforts are not stimulated by a hope of profitable employment in the future’.\textsuperscript{72} According to this view, the professionalization of intelligence services would foster their continuity and reliability in the same way than for the US military in the first half of the nineteenth century.\textsuperscript{73}

The effort to institutionalise intelligence in the US started in the late nineteenth century with the creation of a series of intelligence organisations at the federal level. In 1863, the commander of the army of the Potomac, Major General Joseph Hooker, set up the Bureau of Military Information which became the ‘first professional United States intelligence agency’.\textsuperscript{74} A series of intelligence agencies were then created in an attempt to streamline civil and military intelligence tasks: the Federal Secret Service of the Treasury Department (1865), the Office of Naval Intelligence (1882), the Military Intelligence Division (1885) and the Bureau of Investigation (instituted in 1908 as a part of the Department of Justice).\textsuperscript{75} In practice, the institutionalisation effort evolved slowly. For instance, the attempt to systematise army intelligence with the establishment of the Military Intelligence Division (MID) turned out to be a relative failure.\textsuperscript{76} The MID was limited in funding and capacities and heavily relied on the State Department for the provision of covers to its agents.\textsuperscript{77} In 1898, during the Spanish-American War, the State Department began processing and disseminating the information it collected from its diplomatic networks.\textsuperscript{78} By doing so, it protected its diplomatic realm and curbed the activities of the Secret Service, which was, up to then, the main American intelligence and counter-intelligence agency.\textsuperscript{79} This encroachment of the State Department on the turf of the Secret Service constitutes an early example of institutional rivalry between two intelligence agencies and indicates the movement of institutionalisation was on its way. The involvement of civilians from the State department, as opposed to military leaders, into intelligence activities, also helped develop American


\textsuperscript{74} Andrew, \textit{For the President’s eyes Only}, pp. 22, 24; Finnegan, \textit{Military Intelligence}, p.10.

\textsuperscript{75} Andrew, \textit{For the President’s eyes Only}, pp. 24-5.

\textsuperscript{76} Ibid, p.26.

\textsuperscript{77} Ibid, pp. 26-8.

\textsuperscript{78} Jeffreys-Jones, \textit{American espionage}, p.37.

\textsuperscript{79} Ibid, pp. 16-8.
espionage in peacetime by involving diplomats and making it more legitimate.\textsuperscript{80} Meanwhile, the reliance on the Pinkerton Agency was causing some concerns. Trust in Pinkerton agents vanished as rumours suggested some of Pinkerton’s employees were working for the Spanish during the Spanish-American War.\textsuperscript{81} In fact, prior to 1914, the company and some of its detective had served foreign governments such as Britain, France, Russia, Canada or even Germany posed a significant problem of reliability and discredited the agency.\textsuperscript{82}

However, despite these developments, at the turn of the twentieth century the American intelligence apparatus remained relatively underdeveloped when compared to major powers such as Great Britain or France.\textsuperscript{83} Notably, the absence of General Staff or War College at the time complicated efforts of centralisation and systematisation through the development of doctrine and education. Such shortcomings can be related to the widespread ‘suspicions toward standing armies and associated phenomena’, but also to the tension between states’ rights and the federal government in the US.\textsuperscript{84} In turn, the establishment of a handful of intelligence organisations with specific purposes and limited authorities did not abolish the role of the private sector. At most, the government demonstrated it was willing to exert some degree of control over the provision of intelligence services.

\textit{Peacetime and wartime: intelligence between rejection and necessity}

In the late nineteenth century, while attempts to institutionalise intelligence remained limited, the private sector continued to provide intelligence and security services. Following the second industrial revolution (1870-1914), the maturation of capitalism and the market economy provided multiple opportunities for the private sector to develop. Industries needed security and stability to prosper, and private agencies met this growing demand. Private detective agencies such as the Thiel Detective Service Company (founded in 1873) or James R. Wood Detective Agency (founded in 1879) served both President McKinley (1897-1901) and corporate managers. However, private involvement in domestic security matters generated increasing strains with public authorities. For example, tensions emerged between

\textsuperscript{80} Jeffreys-Jones, \textit{American espionage}, p.3.
\textsuperscript{81} Ibid, pp. 20-1.
\textsuperscript{82} Ibid, p.55.
\textsuperscript{84} Jeffrey-Jones, \textit{American espionage}, p.26.
the New York police and the Pinkerton National Detective Agency when this latter opened an office in New York in the 1860s. Such problems became more frequent with the professionalization and increasing centralisation of urban police during the Progressive Era (from the 1890s to the 1920s). The Pinkerton agency, in particular, focused public attention on some of the most controversial activities carried out by the private security industry. Pinkerton employees allegedly infiltrated unions and incited them to carry out violent acts in order to provide evidence to arrest them. In 1892, Pinkerton agents violated the law when bearing weapons and opening fire against an angry crowd during the Homestead strikes in Pennsylvania. The ‘massacre’ that ensued seemed to confirm the charges with fabrication and class bias that were often held against the agency. According to Bernard Hogg, reactions to the massacre expressed a growing feeling that ‘protection [of property] should be rendered by the civil authorities’. A series of states passed anti-Pinkerton laws, and Congress passed the Anti-Pinkerton Act of 1893 and a ban against services of quasi-military forces. Although this reaction from the public authorities is notable, in practice, these laws did not really restrict detective activities.

At the dawn of the twentieth century, the US government remained reluctant to frankly engage in intelligence activities. In 1896, in one of the first books on US military doctrine, Wagner remarked: ‘Spies may be primarily divided in two classes: military and civilian’ and noted that the first ones are ‘often men of the most exalted character and distinguished courage, and deserve a better fame, and a better fate if captured, than that usually accorded to spies’; while ‘the second class consists of men who often deserve all the obloquy so freely cast upon spies in general’. The military instructor further recognised the necessity of espionage in wartime and considered that ‘whatever their motives or individual characteristics, spies are indispensably necessary to a general’. However, the overall utility of intelligence in peacetime remained disputed at the turn of the twentieth century. At home,

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86 Ibid., pp.188-9.
92 Churchill, ‘From the Pinkertons to the PATRIOT Act’, pp. 24-5.
94 Ibid.
95 Ibid.
the institutionalisation of intelligence was limited because of widespread suspicion towards anything that could secretly threaten civil liberties. In 1909, representatives considered that ‘a general system of espionage was repugnant to our race’. This rejection of intelligence as a dirty world fitted well with the idea Americans had of themselves as a righteous nation. In the absence of a well-established government apparatus, private organisations kept playing an important role in the provision of domestic security. During President Wilson’s first term (1913-1917), the economic recession fostered increasing tensions between workers and their employers. In this context, private organisations continued to work for corporate managers to protect infrastructures, spy on labour movements or break strikes.

At the dawn of its entry into the First World War, the US government appeared less scrupulous. Christopher Andrew recounts how James Polk, acting as Secretary of State and head of the intelligence unit under President Wilson, extracted a coded copy of the Zimmerman telegram signed by the German ambassador in Washington, Count Johann Heinrich Bernstorff, from ‘a reluctant [emphasis added] Western Union’. Interestingly, in this case, the private company appeared more hesitant than the government to infringe on the rights of its customers. Fearing the rise of anarchism and communism, the Justice Department outsourced ‘counter-revolutionary work’ to private detectives during the First World War. Apparently, the nascent Bureau of Investigation did not satisfy the government needs in this area. Most certainly, the Bureau did not have the national coverage and networks an agency such as Pinkerton’s had at the time.

After the US entry into World War I, Congress recognised the necessity of domestic surveillance and passed the controversial American Espionage Act of 1917. Support for domestic surveillance was reinforced after the end of the war with the rise of the ‘Red Scare’

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99 Andrew, For the President’s Eyes Only, p.43. This telegram was a copy of the 1917 Zimmerman telegram in which Germany proposed to Mexico to make war against the United States. The Western Union copy is available online on the website of the National Archives and Records Administration, ‘Photostat of Zimmermann Telegram, as received by the German Ambassador to Mexico, January 19, 1917’, <http://www.archives.gov/exhibits/american_originals/zimm2.html> (20 June 2012).

100 Jeffreys-Jones, American espionage, p.21.

101 Jeffreys-Jones, American espionage, p.21.

102 O’Toole, The Private Sector, p.28.

103 The Alien and Sedition Acts of 1797 can be considered as a precedent although no intelligence agency existed at the time. See: Michael Linfield, Freedom under fire: U.S. civil liberties in times of war (Cambridge, MS: South End Press 1990) pp. 16-7; see also: Andrew, For the President’s Eyes Only, p.54.
following the October revolution (1917) and the creation of the Soviet Union in 1923. In turn, counter-subversion did not lead to the establishment of a government monopoly on surveillance but allowed the private security industry to thrive while it ensured the prosperity of American capitalism. Furthermore, private contributions to domestic surveillance extended beyond the industry. Following the US tradition of militias, parts of the US population organised vigilante associations such as the American Protective League, which provided domestic surveillance on a voluntary basis in support of the Bureau of Investigation during the first ‘Red scare’.104

Repeated invasions into the privacy of US citizens soon gave rise to an outcry from civil liberties groups concerned with freedom of speech.105 The necessity of a more permanent intelligence capacity continued to conflict with the widely held view that espionage was immoral. Andrew notes that Americans considered peacetime espionage as a ‘corrupt outgrowth of Old World diplomacy, alien to the open and upright American way’.106 Within the executive branch, individuals such as President Wilson and his vision of an open democracy,107 President Hoover108 and Henry Stimson (US Secretary of War from 1911 to 1913 and during the Second World War, and Secretary of State from 1929 to 1933) condemned intelligence activities. Stimson famously wrote that ‘Gentlemen do not read each other’s mail’ and decided to close down the State department’s cryptanalysis operations in 1929.109 This trend, added to the US suspicion towards a big federal government, slowed the institutionalisation of intelligence.

The rise of state interventionism to counter the effects of the depression in the 1930s was an important step towards further institutionalisation at the federal level. President Roosevelt’s ‘New Deal’ reform programme (1933-1938) put the government on the forefront of socio-economic policies.110 The ‘New Deal’ was based upon the notion that the government could act as a centralising force for change, rallying public and private sectors in the interest of all in order to bring about economic recovery, wealth and security. The programme expanded the role of government and ‘altered assumptions about what

106 Andrew, For the President’s Eyes Only, pp. 29-30.
108 Andrew, For the President’s Eyes Only, p.73.
110 Foley, American credo, p.276.
government could and should do'. 111 Inevitably ‘New Deal’ reforms, although they were waning from 1937 onwards, 112 led to a rapprochement between the executive branch, Congress and the private sector. This rapprochement would have long-standing effects on American political life, counter-acting the American philosophy of laissez-faire, and, in turn, on the US national security apparatus. It is during the presidency of Roosevelt that the Bureau of Investigation and its Director, J. Edgar Hoover, started to play a greater role in law enforcement at the national level. Hoover, Frank Morn notes, became the new Pinkerton. 113 In addition to this symbolic shift from private to public authority, systematic defence and national security spending from the 1930s onwards led to the creation of a large and stable military industrial base that furthered the relationship between privately developed technologies and the publicly established defence apparatus. 114

However, the rise of state interventionism and its impact on national security affairs did not occur without hurdles. The people were particularly concerned over the interlocking between the American war mechanism and the US economic system. During the 72nd Congress (1931-1933), 115 the Nye committee reviewed the war mobilisation plan for the First World War, and made very clear that it found the military-industrial alliance unhealthy in peacetime. 116 A few years later, the Lafollette Civil Liberties Committee of the US Senate (1936-1941) summoned representatives of the Pinkerton and Burns agencies to give testimony on their anti-labour activities. 117 The hearings led Majority leader Robinson (D-AR) to put forward a resolution that held that ‘the so-called industrial spy system breeds fear, suspicion and animosity, tends to cause strikes and industrial warfare and is contrary to sound

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public policy’. Private companies were unpopular and increasingly relegated to the provision of industrial security services such as war plant protection. Despite these concerns, private industries played a central role in implementing economic and military support to the Allies in the run-up to World War II.

An era of expansion, 1941-1989

The US entry into the Second World War in 1941 was a turning point in the history of its intelligence machinery. First, the Japanese surprise attack on Pearl Harbor on 7 December 1941 acted as a catalyst, emphasising the importance of a more permanent apparatus able to gather, analyse and carefully disseminate intelligence to senior officials. David Kahn points out that the centralisation of intelligence started thereafter. Second, in order to wage total war, the US needed the support of a more effective intelligence apparatus and a sizeable industrial base. In this context, the Second World War cemented the relations between the US security apparatus and the private sector. During the war, the Office of Strategic Services (OSS) played a central role and demonstrated the value of intelligence. The OSS collected and analysed strategic information for the US Joint Chiefs of Staff and planned and operated ‘special services’. However the OSS was disbanded after the war and its component parts were split between the Department of War and the State Department.

In the aftermath of the Second World War, the pre-war depression years disappeared due to the development of industries and corporate management, favourable fiscal policies

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121 Kahn, ‘The intelligence failure of Pearl Harbor’, Foreign Affairs 70/5 (1991) pp.150-2; Andrew, For the President’s Eyes Only, pp. 75, 123.
and large government expenditures in the domains of armament and welfare. In addition, the increasing tension with the Soviet Union and the policy of containment of the Soviet Bloc which became known as the Truman doctrine, aggravated the need for a permanent intelligence organisation, and facilitated consensus. Andrew considers that the real acceptance of intelligence gathering and covert operations - the two most controversial types of intelligence activity - in peacetime occurred during the presidency of Eisenhower who, even then, considered it to be a ‘distasteful but vital necessity’. In a nod to Stimson’s famous phrase, Allen Dulles, the Director of the Central Intelligence Agency (CIA) during Eisenhower’s mandate, considered that ‘when the fate of a nation and the lives of its soldiers are at stake, gentlemen do read each other’s mail – if they can get their hands on it’.

In a period of 15 years from 1946 to 1961, the core components of the US intelligence apparatus were established: the National Intelligence Authority and the Central Intelligence Group (1946); the National Security Act of 1947 creating the Department of Defense, the Central Intelligence Agency (CIA) and the National Security Council; the 1952 Presidential memorandum creating the National Security Agency (NSA), the establishment of the National Reconnaissance Office (NRO) in 1960 and the Defense Intelligence Agency (DIA) in 1961. The most important of these steps was the passage of the National Security Act of 1947, which established the CIA and epitomises the birth of the national security state in the US. Subsequently, the CIA came to play a particularly central, but not necessarily successful, role in the containment enterprise, as John Prados demonstrates at great length in his seminal study of American covert action during the Cold War. The institutionalisation of US intelligence was also marked by dissent, in particular by bureaucratic wrangling. Adrian Lewis notes that the National Security Act of 1947 ‘institutionalized selfishness’ in the sense that it diffused power and allowed the multiple agencies to follow their own objectives. As a result, multiple institutional cultures and bureaucratic tensions have characterised the US intelligence ‘community’ ever since.

The institutionalisation of the US intelligence community led to the multiplication and increasing consolidation of the ties between the public and private sectors. In order to

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126 Andrew, _For the President’s eyes Only_, p.248.
128 Andrew, _For the President’s Eyes Only_, pp. 164, 193, 248.
129 For this particular point, see: John Prados, _Safe for Democracy. The Secret Wars of the CIA_ (Chicago, IL: Ivan R. Dee 2006) pp. 36-7.
develop its capabilities, the IC became progressively dependent on the private sector. Private companies provided increasingly sophisticated products and services to the US intelligence community, but also to the private sector.\textsuperscript{131} During the Cold War, the market for defence and national security cornered a growing part of the American economy and led to the development of a sizable industry.\textsuperscript{132} The private sector took a prominent part alongside the US government apparatus in the area of research and development. The US intelligence community also used companies to ensure the secrecy of its activities. Moreover, companies directly supported US covert action and counter-intelligence efforts. In turn, the broadening of the relationship between the IC and the private sector led both types of organisation to share successes and failures.

\textit{Research, development and the intelligence industry}

Science dictates a new approach to the problems of national security…consistent with the new technical era.\textsuperscript{133}

This citation from General Carl Spaatz, the commander of the Air Forces Combat Command during the Second World War, emphasises how the nexus between science and war as well as research and national security was reinforced during and after the Second World War. The US has traditionally put a great emphasis on the role of technology in waging war in order to achieve both material and information superiority.\textsuperscript{134} The Cold War and its arms race reinforced this American characteristic and brought research and development to the forefront of national security policies.\textsuperscript{135} The US intelligence community understood the need for reaching out to researchers early in its history. In the course of its mission, the OSS relied on the support of key individuals who were working for private organisations such as Standard Oil, Goldman Sachs or the Universities of California at Berkley, Columbia and Princeton.\textsuperscript{136} In the late 1940s, the CIA board of National Estimates formed the ‘Princeton


\textsuperscript{132} For example in the early 1960s, before the Vietnam War, the DoD budget accounted for more than half the federal government’s yearly budget and approximately 10 percent of the US gross national product. Jones, \textit{Arming the Eagle}, p.329.

\textsuperscript{133} General Carl Spaatz cited in Jones, \textit{Arming the Eagle}, p.319.


\textsuperscript{135} McNell, \textit{The Pursuit of Power}, pp. 368-96. See for example the account of “project lightning”, the world’s largest government-supported computer research program in: Andrew, \textit{For the President’s Eyes Only}, p.217.

\textsuperscript{136} Cohen, Putting a Human and Historical Face on Intelligence Contracting’, pp. 245-6.
Consultants’, a ‘group of distinguished professors’ who met several times a year to draft estimates. 137 Andrew Bacevich notes that, following the creation of the atom bomb in 1945 and the way it changed the conception of war, there was a clearer call for putting civilians rather than ‘soldiers in charge of strategy’. 138 That is how the profession of defence intellectuals rose to prominence in the 1950s. 139

In terms of intelligence gathering, the isolation of communist societies meant that they were hard to infiltrate by human means. To adapt to this situation, the IC put an emphasis on technical means of intelligence collection. 140 In turn, the US intelligence community’s reliance on new and expensive technologies transformed the American security apparatus. The capacity for technological development mostly lay within the private sector, which became crucial to the achievement of key intelligence objectives. Technology acted as a vector, fostering the community’s reliance on companies and developing its role in investment and project management. 141 This emphasis was logically reflected at the organisational level. At the CIA, an Office of Scientific Intelligence was established in 1948. The importance of research and development to support intelligence collection was institutionalised with the creation of the Deputy Directorate of Research within the Directorate of Science and Technology (1962). 142 The same year, the Bureau of the Budget, an entity within the Executive Office of the President, provided a report on government contracting for research and development. This report already touched upon crucial issues that remain relevant today: the degree to which contractors can increase government’s capabilities; the definition of criteria to determine which functions should be performed by a contractor or the government; the contractor selection process and the contractor supervision process. 143

The development of US overhead collection capabilities epitomises the nexus between intelligence and technology and the public and private sectors. The creation of the


141 Lewis, Spy Capitalism, p.267.


RAND [R and D] corporation in 1946 as a project within the Douglas Aircraft plant in Santa Monica, CA, constitutes one of the first examples of public-private cooperation in this context.\(^{144}\) The key figures involved in the launch of project RAND were part of the military establishment and the defence industry.\(^{145}\) The organisation’s first report, released one year before the establishment of the US national security state, considered the possibility of space operations and concluded ‘it now appears feasible to undertake the design of satellite vehicle’.\(^{146}\) The organisation soon got involved in more political types of analysis. For example, RAND researchers published a book on *The Operational Code of the Politburo* in 1951.\(^{147}\)

In the early 1950s, many big defence companies such as Booz Allen Hamilton saw a market opportunity and branched into research and development for the intelligence community, therefore diversifying the range of services available to the government.\(^{148}\) The CORONA programme, under which CIA and the Air Force cooperated with big defence companies such as Lockheed Corporation and General Electric, is a case in point.\(^{149}\) Lockheed first signed a contract with the CIA to build the U-2 aerial reconnaissance plane in 1954.\(^{150}\) Two years later, the U-2 flew over the Soviet Union for its first mission.\(^{151}\) The spy plane served the US intelligence community for the rest of the Cold War and remains to this day one of the biggest intelligence gathering successes in the history of US intelligence.\(^{152}\) A few years after the first U-2 flight, the CORONA programme led to the launch of the first US reconnaissance satellite, considerably extending the scope of US photographic surveillance over the Soviet Union and China. Jonathan Lewis details the near symbiosis between the private aerospace sector and the CIA in his monograph *Spy Capitalism* which explores the


\(^{145}\) Ibid.

\(^{146}\) Douglas Aircraft Company’s Engineering Division, Preliminary Design of an Experimental World-Circling Spaceship (SM-11827), 2 May 1946, p.1.


\(^{148}\) Cohen, ‘Putting a Human and Historical Face on Intelligence Contracting’, p.248.

\(^{149}\) Kenneth E. Greer, ‘Corona’, *Studies in Intelligence* 17 (1973) pp. 6-9.

\(^{150}\) Andrew, *For the President’s Eyes Only*, p.222.


contribution of the firm Itek, a manufacturer of reconnaissance cameras, to the CORONA programme.\footnote{Lewis, \textit{Spy Capitalism}, passim. See also: Jeffrey T. Richelson, \textit{The Wizards of Langley: Inside the CIA’s Directorate of Science and Technology} (Oxford : Westview Press 2002) passim.} Lewis shows very well how the national security of the US was closely related to the performance of the private sector and its development and manufacturing of national security technologies. Although the CORONA programme broke through a series of technological barriers, it also encountered a series of problems. Delivery dates were repeatedly postponed and costs rose significantly during its development.\footnote{Central Intelligence Agency, Center for the Study of Intelligence, ‘Breaking through Technological Barriers’, <https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/books-and-monographs/a-12/breaking-through-technological-barriers.html> (accessed 2 July 2012).} Such issues are difficult to avoid in the realm of technical intelligence since research and development are bound to remain hazardous processes. All of these evolutions were summarised in a report James Schlesinger, then Deputy Director of the Office of Management and Budget, wrote to President Nixon at the dawn of the détente, in which he remarked that ‘scientific and technical intelligence with both civilian and military applications has become a principal area of endeavour for almost all intelligence organizations’.\footnote{James Schlesinger, ‘A Review of The Intelligence Community’, 10 March 1971, \textit{The National Security Archive}, <http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB144/document%204.pdf> (accessed 1 May 2010) p.4.}

\textit{Counter-intelligence}

During the Cold War, the private sector played an increasingly important role in the area of counter-intelligence. The counter-subversion effort at home involved wider society. Red squads and other private intelligence networks such as the American Security Council collected information on ‘subversive elements’ within US society and disseminated it to their subscribers.\footnote{O’Toole, \textit{The Private Sector}, pp. 160-6.} These included companies such as Lockheed and General Dynamics. The Intelligence Community also relied on the private sector. In 1962, under the Security Project, companies working for the CIA office of security carried out document destruction, guard work, security clearance investigation, technical and physical support for surveillance.\footnote{US Senate, Select Committee to Study Governmental Operations with Respect to Intelligence Activities, \textit{Book I, Foreign and Military Intelligence}, 94\textsuperscript{th} Congress, 2\textsuperscript{nd} Sess., 23 April 1976, pp. 210-2.}

Moreover, the CIA used the private sector to ensure the secrecy and deniability of its activities, or make these latter ‘look like actions by some other party’.\footnote{Hughes, \textit{War on Terror}, p.172. Kevin O’Brien points out that the Soviet Union or South Africa have also used of front organisations as cover. This fact demonstrates that the use of companies as a cover is something that is more inherent to the trade of intelligence than to the American experience. See: Kevin A. O’Brien, ‘Covert Action: The ‘Quiet Option’ in International Statecraft’, Loch K. Johnson (ed.), \textit{Strategic Intelligence}, p.172.} Such means were
particularly useful in those parts of the world where governmental covers were scarce. The intensification of covert operations against the Soviet bloc in the 1950s multiplied the use of such covers.\textsuperscript{159} The CIA made frequent use of proprieties, or ‘business entities, wholly owned by the Central Intelligence Agency, which either actually do business as private firms, or appear to do business under commercial guise’.\textsuperscript{160} Most of these companies were managed by management companies indirectly related to the CIA.\textsuperscript{161} Some of them, referred to as notional companies, were owned and administered by the Agency but not legally registered.\textsuperscript{162} The existence of non-operating companies can be explained by the need to prevent hostile organisation’s access to information on US intelligence sources and methods.\textsuperscript{163} Such ‘corporate shells’ provided cover, salaries and tax attribution for agency personnel. The pseudo-companies had directors, officers, and stockholders. Their existence prevented the establishment of new entities for each operation. By acting covertly, the CIA was also able to reach out further to the private sector and avoid problems of reputation to its private associates.\textsuperscript{164}

\textit{Covert support}

From the 1950s to the mid-1970s, a period referred to as the golden age of covert operations,\textsuperscript{165} similar arrangements allowed operating proprieties to provide cover but also capabilities to the CIA. Two prominent examples of this kind of private sector support are air proprieties and insurance companies. From 1950 onwards, Air America provided air support for CIA operations, transporting mainly arms and ammunitions in Southeast Asia.\textsuperscript{166} Furthermore, a complex of investment and insurance companies handled contract agents’ pension funds and insured them during dangerous operations.\textsuperscript{167} These companies supported operations by managing private investments for the CIA or other companies, effectively developing holdings. They also provided more direct support to covert operations,
‘specifically, for the acquisition of operational real estate and as a conduit for the funding of selected covert activities’.\textsuperscript{168} When the CIA did not need these private capabilities anymore, or when companies were attracting too much attention, the Agency closed them down or sold them.\textsuperscript{169}

In the media and publishing sector, covertly funded companies provided capabilities necessary to carry out effective propaganda that can be described as a type of covert political action.\textsuperscript{170} The development of a ‘state private network’ in this area was central to American efforts to win hearts and minds during the Cold War.\textsuperscript{171} For example, Inderjeet Parmar explained that American foundations proved crucial to covert CIA programmes such as ‘the Congress for Cultural Freedom’s campaign to isolate and divide the left during the 1950s and 1960s’.\textsuperscript{172} The Congress for Cultural Freedom was established by the CIA in 1950 to sponsor numerous publications backing US policies worldwide such as \\textit{Encounter} (in the United Kingdom), \\textit{Der Monat} (in Germany), \\textit{Daily American} (in Italy), and \\textit{El Mercurio} (in Chile).\textsuperscript{173} CIA funds established ‘the ostensibly private Radio Free Europe’ which disseminated Western propaganda toward the Eastern bloc.\textsuperscript{174} Covert political action also took the form of support to student and labour organisations. To control these organisations, the CIA integrated some of them or used monetary incentives as leverage.\textsuperscript{175} When so doing, the Agency met varying degrees of success.\textsuperscript{176} In order to maintain this type of cover, other federal government agencies such as the Internal Revenue Service (IRS) or the State Department Office of Munitions Control had to cooperate with each other’s and the CIA.\textsuperscript{177} Their cooperation further contributed to the complexity and increasing formalisation of

\begin{flushright}
168 US Senate, Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Book I, p.209.
169 Prados, \textit{President’s Secret Wars}, pp. 456-7.
175 Jeffreys-Jones, \textit{The CIA and American Democracy}, pp. 43, 84.
177 US Senate, Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Book I, pp. 247-8.
\end{flushright}
public-private intelligence interactions. For instance, when the IRS wanted to audit a proprietary, relevant officials were contacted by the CIA to cancel the audit. In another case, the US Forest Service was asked to award a contract to a CIA proprietary ‘to assist the development of a commercial posture’. Finally, for reasons of secrecy, proprietary contracts were usually not renegotiated which, required the intervention of the Department of Labor.

Covert support also went the other way. The US government’s covert action campaign against the Soviet Union led it to support US economic interests, that is to say American companies, throughout the world. Rhodri Jeffreys-Jones notes that the 1953 Tehran coup that deposed Iranian Prime Minister Mohammad Mosaddegh gave ‘a 40 percent share of Iranian oil rights’ to four of these American companies. Another scholar remarks that CIA subversion campaign in Chile in the 1960s partly aimed at preventing the nationalisation of the Anaconda Copper Company and International Telephone and Telegraph. In Chile, the CIA funnelled millions of dollars from both official and corporate sources to supporters of presidential candidate Eduardo Frei and successfully prevented the socialist candidate Allende to become President in the 1964 elections. In Guatemala, a CIA operation implicated another giant US company: United Fruit Company (UFC). United Fruit Company was the biggest landowner in Guatemala and feared nationalisation. From 1950 onwards, UFC lobbied to convince the US government to counter Guatemala’s drift towards communism. The company’s efforts were facilitated by the company’s close links to the Eisenhower’s administration. For instance, the Director of Central Intelligence at the time, Allen Dulles, was a shareholder of the company. UFC’s expropriation, in February 1953, was one of the factors that precipitated the US intervention that toppled President Jacobo Arbenz’s regime in 1954. When the CIA arrived in Guatemala, UFC had already set an information network assisting with deployment of covert economic and political activities.

On the whole, the success of the US strategy during the Cold War depended on the

178 US Senate, Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Book I, pp. 247-8.
182 Prados, *President’s Secret Wars*, pp. 315-6.
185 Reportedly, the US government also wanted to maintain its strategic control over the Panama Canal. See, Jeffreys-Jones, *The CIA and American Democracy*, p.91.
186 O’Brien, ‘Covert Action: The ‘Quiet Option’ in International Statecraft’, p.28. For a detailed account see: Prados, *President’s Secret Wars*, pp. 98-100.
supremacy of its liberal economic model. In this context, the interests of US companies were tied down to the wider economic interest of the nation. However, US corporate interests were probably neither a sufficient nor a necessary trigger for CIA interventions. In some instances, CIA’s demands were challenged by private companies’ corporate interest. For example, when the CIA asked to use UFC as a cover conduit for intervention, the company refused to gamble its corporate image, thereby setting a limit to their cooperation. As a result, the relationship between the IC and the private sector at the time could not be described as a perfect symbiosis.

Public concerns and limits

From the military to the intelligence-industrial complex

Following the establishment of the national security state, the diversification of the ties between the US intelligence community and the private sector raised a series of concerns and criticisms. The close ties between the IC and the private sector questioned the ascendancy between public authority and private interests. In addition, a series of scandals involving the intelligence community and the private sector drew increasing public scrutiny and demonstrated how intelligence activities carried out by the US government with the support of the private sector can threaten liberal democracy at home. In 1961, President Eisenhower’s farewell address famously demonstrated his awareness of the risks generated by the growth of the military industry in post-War America and brought these to the attention of the public. In his speech, the President famously observed:

We have been compelled to create a permanent armaments industry of vast proportions. […] We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications […]. In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.189

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The term ‘military-industrial complex’ is often used pejoratively to describe the web of vested interests that developed between the US federal bureaucracy (developing and applying policies), Congress (controlling the purse) and industrial interests (providing services and goods) to form what political scientists describe as an ‘iron triangle’. ¹⁹⁰ In this triangle, representatives support employment in their constituencies through the military industry. In the most extreme cases, this industry is subsidised to such an extent that the economic wealth of some parts of the country depended upon it.¹⁹¹ The military industry lobbies in support of its business, opens public affairs offices, hires retired senior officers, and maintains congressional liaisons. Government agencies promote the industrial interests corresponding to their bureaucratic priorities, for example, spending their budget on defence technologies to avoid prospective cuts. In turn, this ‘iron triangle’ is reinforced by networks of acquaintances stemming from a revolving door that shuffles ‘defense and industry executives back and forth between conflicts of interest’.¹⁹²

The military-industrial complex is problematic because it raises questions about the US government’s ability and willingness to control and oversee the private sector. The iron triangle, authors have argued, blurs the lines of the military-civilian division of authority and threatens civilian autonomy.¹⁹³ Such arguments became particularly prominent during the Cold War. According to former Senator William Proxmire (D-WI), demobilisation and the increasing perception of a Soviet threat led Congress to a ‘panicky and uncritical policy toward the Pentagon spending’ which basically allowed the industry to grow without ‘adequate controls on contracts’.¹⁹⁴ Alex Roland notes that ‘the armed forces came to see more and more technologies as crucial to national security’ and argues that ‘a web of secrecy spread out from weapons systems into the civilian economy’.¹⁹⁵ In turn, Pentagon officials


¹⁹⁵ Roland, *The Military-Industrial Complex*, p.22
with a need to know were able to prepare secret lists of critical technologies that escaped public scrutiny. Senator Moynihan, in his famous study of the American experience with secrecy, denounced a ‘routinization of secrecy’ during the Cold War. On the whole, these criticisms considered that the promotion of national security interests by public and private entities lacked transparency, which brought into question the legitimacy of the policies pursued by the government.

Inappropriate bureaucratic practices and flaws in budget processes such as the practice of obligating unused funds reinforced problems of control. Critics pointed out that the lack of public control over the complex led to ineffective and inefficient spending that ultimately hindered US national security. Senator Proxmire argued that this system allowed DOD officials to keep secret the mistakes of the Pentagon, such as ‘huge cost overruns on the C-5A airplane’. By the late 1970s, defence and national security acquisition was criticised for being riddled by ‘waste, fraud and abuse’. Nevertheless, the growth of the defence and national security industry did not occur in a total absence of control. From the 1950s onwards, for example with the passage of the Defense Production Act, the US government made some efforts to regulate the acquisition process. However, these efforts proved particularly challenging. Before the 1960s, no formal acquisition policy applied to the Department of Defense as a whole. This presented the US government with a ‘twofold challenge’ concerning the ‘efficient management’ of the defence industry, and the ‘effective coordination of military R&D efforts’.

The concept and critics of the military-industrial complex can be expanded to the realm of national security intelligence (the intelligence-industrial complex). In the same way that Eisenhower’s farewell address was central in raising public awareness about the ‘undue influence’ of the military-industrial complex, the Church committee, in 1975, played a crucial role in publicising the risk the IC and its private support networks can pose to liberal

196 Roland, The Military-Industrial Complex, p.22.
198 Proxmire, Report from Wasteland, pp. 80-4; Roland, The Military-Industrial Complex, p.29.
200 Proxmire, Report from Wasteland, p. 72.
201 Jones, Arming the Eagle, pp. 398-402.
203 Jones, Arming the Eagle, p.355.
205 Ibid, p.10.
democracy. The final report of the committee warned about the impact of the ‘confluence of conflicting roles’ between the public and the private sector in ‘a free and open society’. The report further remarked that ‘in a totalitarian society, governmental and “private” enterprises are essentially one’. The key would be to ensure that decision-makers could maintain the ‘delicate balance between governmental and private actions’.

In the realm of national security intelligence, Project IBEX, jointly managed by the CIA, the NSA and the Iranian SAVAK (the Iranian Organisation of Intelligence and National Security from 1957 to 1979) illustrates some of the problems caused by the intelligence-industrial complex. IBEX was a surveillance programme supposed to provide American technology to the Shah of Iran to gather information on his neighbours. The programme was leaked in 1977 when three American employees of Rockwell International Corporation were shot to death in Tehran. At the time, journalist Bob Woodward’s article in the Washington Post drew attention on a number of informal practices. In his article, Woodward noted that, in the interest of secrecy, covert projects such as IBEX usually ‘hide or insulate some of the payments that go out to U.S. contractors’. In this case cheques to contractors ‘were drawn following a series of complicated transactions involving the CIA and the Touche Ross Washington office’ but also the Iranian government and Riggs National Bank. The system faced ‘allegations of widespread corruption’ and the whole project was criticised as a case of technological dumping for impractical US equipment and concepts.

The IC’s reliance on private companies challenged intelligence managers to make sure appropriate regulations were respected. For example, a memorandum sent by the General Counsel of the CIA to the Director of Central Intelligence in 1982 emphasised ‘monitoring contractor activities to ensure compliance with Agency security regulations and federal law’ as a critical area. Such complications were not unknown to contracting companies, where the regulations and secrecy imposed by the government complicated, and sometimes prevented, directors’ duty to exercise great care and diligence in the management

206 US Senate, Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Book I, p.206.
207 Ibid.
208 Ibid.
209 Ibid.
211 Ibid. National Archives and Records Administration, CIA Records Search Tool, Maryland: Stanley Sporking, General Counsel, Briefing Paper – CIA Contracting Safeguards, Memorandum for the Director of Central Intelligence, OGC 82-00846.
of their assets. In sum, the encounter between the secret world of national security and free market economy, what Lewis calls ‘spy capitalism’, was problematic and therefore needed to be watched carefully.

Concern over undue influence and crony networks were also raised in the realm of intelligence. The Church committee report noted that where formal ties between the IC and the private sector ‘discontinued, social and interpersonal relationships’ remained. In a book published in 1978, George O’Toole described how the FBI and the private sector, in particular private detective companies, were interlocked through personal trajectories, networks of acquaintances, and coordination at the organisational level. The author examined the ‘collective power of the American private police subculture’ through the development of a variety of groups, among which professional organisations such as the National Military Intelligence Association (NIMA), the Association of Retired Intelligence Officers, and the Society of Former Special Agents of the Federal Bureau of Investigation. For example, O’Toole found that, at the time, members of the latter organisation held ‘senior security executive positions with almost every major private sector employer in America’. Interestingly, these networks reached beyond the confines of the security sector to encompass telecommunication and airline companies. In 1979, the creation of the Security Affairs Support Association (SASA), a trade association, provided an additional forum where companies involved in intelligence could discuss and share views with government officials. At the individual level, the practice of moonlighting allowed serving intelligence officers to work simultaneously for the private sector. In addition, private industry’s intelligence needs provided job opportunities for retired intelligence officers. This phenomenon further weakened the public-private divide and raised questions about possible conflicts of interests. In practice the expression ‘intelligence community’ - which legally

212 Lewis, Spy Capitalism, pp. 108-9, 116-8, 121, 123.
213 Ibid, passim.
214 US Senate, Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Book I, p.239.
215 O’Toole, The Private Sector, pp. 118-50.
216 Ibid, p.119.
217 Ibid, p.120.
218 National Archives and Records Administration, CIA Records Search Tool, Maryland: President of the Security Affairs Support Association, letter to Mr. John McMahon, Deputy Director, Central Intelligence Agency, 1 March 1983.
219 Hougan, Spooks, p.20.
encompasses a well-defined number of intelligence agencies - embraced the private sector.\textsuperscript{221} For better or for worse, both the government and the private sector shared ideas, acquaintances, a similar sense of concern for national security, and a pool of institutional knowledge.

The prominence of the private sector in the realm of national security intelligence bred the possibility that it could exert an influence on intelligence and, by extension, on the government’s decision-making process. The blurring of institutional lines between the public and private sectors can lead to a (real or perceived) conflation between public and private interests, and in the worst cases between national security and profit-making. Alex Roland argues that, during the Cold War, ‘intelligence became politicized’ because the information it was providing could support both the industry and the government security policies.\textsuperscript{222} In this sense, alarming information on Soviet capabilities, and the tendency to assume worst-case Soviet intentions, would increase the governmental demand for intelligence and benefit both the industry and the relevance of the intelligence community. This argument is understandable in the view of how close the IC, the private sector and policy-makers have been in the past. Both intelligence services and the industry could have had a common interest in boosting the threat perception. Most of the industry’s income has depended on intelligence agencies and governmental contracts. Nevertheless, Roland sets the bar of politicisation relatively low and provides little evidence to support his claim.\textsuperscript{223} Close public-private interactions do not prove politicisation but raise legitimate concerns about the impartiality of the decision-making process in the realm of intelligence and national security.

**Threats to liberal democracy**

In the aftermath of the Second World War, the US intelligence community and the private sector have been involved in a series of questionable activities that threatened US civil liberties, human rights, and the system of government. The emphasis put on counter-subversion, a term that is inevitably political, during the Cold War led the intelligence community to carry out far-reaching domestic surveillance programmes with the help of the private sector. In addition, the evolution of communication technologies in an under-regulated context meant that widespread electronic eavesdropping became not only possible

\textsuperscript{221} For the legal definition of the US intelligence community, see: US Congress, Public Law 80-253, National Security Act of 1947, 80\textsuperscript{th} Congress, 1\textsuperscript{st} sess., 26 July 1947, Section 3(4).
\textsuperscript{222} Roland, *The Military-Industrial Complex*, pp. 31-2.
\textsuperscript{223} Ibid.
but more frequent. In this context, the intelligence community informally relied on the private sector to tap into private telecommunication networks and access specific information such as on ‘newsmen who had been publishing news articles based on, and frequently quoting, classified materials’. In this case, surveillance directly threatened the freedom of the press, which is protected by the First Amendment to the US Constitution. In a programme codenamed SHAMROCK, the NSA was able to intercept international telegrams sent from New York, Washington DC, San Francisco and San Antonio using the facilities of three major telegraph companies (ITT World International, RCA Global, Western Union). At the time, the companies were reportedly concerned about their informal involvement in this programme and sought reassurance from senior US officials that it was legal. In another case, project MERRIMAC, the CIA used a front company called Anderson Security to infiltrate legitimately formed anti-Vietnam War groups.

Private and public research organisations also supported one of the most controversial covert operations ever led by the US government. In the 1950s, the CIA Scientific division was in charge of a project codenamed MKULTRA, which was concerned with ‘the research and development of chemical, biological, and radiological materials capable of employment in clandestine operations to control human behavior’. The programme brought together ‘specialists in universities, pharmaceutical houses, hospitals, state and federal institutions, and private re-search organizations’. In each institution, ‘only a few “key individuals” were “made witting of Agency sponsorship”’. Some of the experiments led by the CIA and its

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227 The companies received no compensation in return for their cooperation.

228 US Senate, Select Committee to Study Governmental Operations with Respect to Intelligence Activities, *Book I*, pp. 223-4.


partner institutions were illegal and clearly unethical. For example, the project involved the surreptitious administration of hard drugs such as LSD to unwitting subjects. Despite the fact that this kind of experience resulted in the death of a civilian employee of the Army in 1953, the programme continued.\footnote{US Senate, Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Book I, pp. 394–403.}

The strength of the civil-rights movement, the growing anti-war movement, the climate of economic difficulties, and a series of public scandals all combined to raise public pressure on US policy-makers and set limits to the intelligence activities carried out by the federal government. The year of intelligence, in 1975, marked the congressional willingness to exercise its constitutional responsibility and oversee the IC. The Church committee played a central part in this reform. The committee uncovered most of the IC abuses and devoted some attention to the role played by the private sector in this context. At the CIA, 1975 was considered as ‘a year of turmoil’. Worldwide attention on the Agency concerned director William Colby ‘over the possibility of CIA contractors turning away from the Agency’ to avoid disclosure of their involvement with the Agency.\footnote{National Archives and Records Administration, CIA Records Search Tool, Maryland: James H. McDonald, Director of Logistics, Analysis of CIA Competitive Procurement Actions – FY 1975, MBO OL–D-01–76, Memorandum for Deputy Director for Administration, 28 May 1976.} A staff member of the Church committee remembers that SHAMROCK prompted discussion on the president’s authority to require cooperation from private companies, in this case, to collect intelligence.\footnote{Interview with author, 11 July 2011.} This question was particularly sensitive since some intercepts the government obtained included communications from American citizens, therefore threatening their right to privacy. When SHAMROCK became public, the cooperating companies were sued by a group of American citizens.\footnote{Snider, ‘Recollections from the Church Committee’s Investigation of NSA’, p.50.} The committee also investigated the numerous pitfalls of the proprietary system. It found that proprietaries had limited visibility in the CIA budget - which made them more difficult to oversee.\footnote{US Senate, Select Committee to Study Governmental Operations with Respect to Intelligence Activities, Book I, pp. 250-1.} This was worrying given their widespread use in some of the most sensitive operations led by the CIA, both abroad and at home.

The year of intelligence and the subsequent establishment of congressional oversight did not put an end to problems of intelligence accountability. The election of President Reagan in 1980, and the nomination of William Casey as Director of Central Intelligence, ushered in a more aggressive posture towards communism that translated into the resurgence
of covert operations. In this context, another public scandal involving private sector support demonstrated the limits of the US system of intelligence accountability. The CIA was then attempting to overthrow the new Sandinista regime in Nicaragua. After the operation was outlawed by Congress in the early 1980s, with the passage of the Boland amendment, the National Security Council staff circumvented the amendment and pursued the operation. When so doing, senior executive officials directly overlooked a congressional decision. The clearer delimitation of intelligence oversight apparently pushed some elements within the executive branch to avoid official channels which also meant avoiding official funding, thus inevitably relying on private assets. The operation depended on an extensive network of private and foreign (Israeli) assets, to provide support to the Contras in Nicaragua. Private actors involved in the affair included air proprietaries, contract agents, freelance organisations, and holding companies. In turn, the Iran-Contra scandal emerged as one of the worst kinds of abuse stemming from hazardous public-private intelligence cooperation. The incident showed how the intelligence community can be used in conjunction with the private sector to secretly pursue disputable purposes and in this case to carry out an operation that circumvents formal channels of oversight.

Counter-intelligence

A final type of concern generated by the increasingly close bonds between the US intelligence community and the private sector was the possibility that hostile organisations successfully collect intelligence on the US intelligence community via its private allies. A decision taken by the National Security Council in 1976 clearly demonstrated the government’s apprehension in this area:

The President is concerned about possible damage to the national security and the economy from continuing Soviet intercept of critical non-government

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236 James M. Scott and Jerel A. Rosate, “‘Such Other Functions and Duties’. Covert Action and American Intelligence Policy”, in Johnson (ed.), Strategic Intelligence, Volume 3, pp. 92-3.
237 The 1983 Boland Amendment, named after committee chairman Edward P. Boland (D-MA), prohibited funds being spent by CIA for the purpose of overthrowing the government in Nicaragua. For more details on the Nicaraguan operations see: Prados, President’s Secret Wars, pp. 408-63; Jeffreys-Jones, The CIA and American Democracy, pp. 245-6.
238 Scott and Rosate, ‘Such Other Functions and Duties’, pp. 92-3.
239 Hughes, War on Terror, p.174.
241 See for example: Jeffreys-Jones, The CIA and American Democracy, pp. 245-6.
communications, including government defense contractors and certain other key institutions in the private sector. The President has therefore decided that communication security should be extended to government defense contractors dealing in classified or sensitive information at the earliest possible time. He has also directed that planning be undertaken to meet the longer-term need to protect other key institutions in the private sector, and, ultimately, to provide a reasonable expectation of privacy for all users of public telecommunications.242

Concern about information security in the private sector was widely publicised with the release of Robert Lindsey’s book *The Falcon and the Snowman: A True Story of Friendship and Espionage* and its subsequent adaptation in a movie by John Schlesinger.243 The fact-inspired story followed Christopher Boles, a disillusioned employee working for an intelligence contractor, TRW, who decided to use his post in a secure communication facility to spy for the Soviet Union. In subsequent years, the US government increasingly sought to help American companies improving their information security procedures.244 The release of the Mitrokhin archive, the collection of notes secretly made by Vasili Mitrokhin during his career as KGB archivist, later confirmed the US government’s concern was justified. Documents in the archive show that the Soviet Union successfully intercepted fax communications from major defence companies working with the IC such as Boeing, General Dynamics, Grumman, IBM, and Lockheed.245 KGB residencies in the US also ran a series of agents who were working for leading American defence contractors such as McDonnell Douglas and TRW.246

**Conclusion**

The US intelligence apparatus has a long history of cooperation with the private sector. In fact, in the US, the means of intelligence collection and analysis have never been entirely state-owned in the first place. Consequently, a privatisation of intelligence, in the sense of a transfer of ownership from the public to the private sector, did not really occur. Rather public

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244 This was the case of the work done by the Commission on the Roles and Capabilities of the US Intelligence Community (or Aspin-Brown Commission) in the early 1990s. Staff member of the Aspin-Brown Commission, interview with author, 11 July 2011.
and private sector intelligence developed gradually. Even though public-private cooperation is essential to the craft of intelligence, the US political culture - characterised by the strong legitimacy it grants to the individual and society - constituted an ideal milieu in which the private sector has been able to play a historical role in national security affairs.

Throughout US history the private sector has taken an increasingly significant role alongside the US intelligence apparatus. In the US (and elsewhere), the emergence of intelligence capacities was necessary to wage war, but also to secure industrial development. However, in the US, national security intelligence, state formation and market economy have always been closely related throughout history. Before the twentieth century, a relatively immature federal government left enough space for the private sector to offer security services to both public and private entities. From the late nineteenth century to the entry of the US in the Second World War, the public acceptation of intelligence remained ambiguous. This ambiguity complicated the establishment of a permanent federal intelligence apparatus. In this context, the private sector, whose industrial support had been crucial in World War I, continued to provide security services despite increasing tensions with the public authorities. The surprise attack on Pearl Harbour and the US involvement in the Second World War brought an end to this ambiguity. World War II reinforced the ties between the US government and the national security industry. With the advent of the Cold War, American decision-makers established a more permanent system of intelligence and throughout the Cold War, the extension of the role of the government in national security affairs was accompanied by the development of private support networks. Private intelligence supply diversified, developed alongside the US intelligence community and the private sector became involved in technical intelligence, intelligence analysis, various types of covert action, and counter-intelligence activities carried out by the federal government agencies.

Finally, the relationship between the US intelligence apparatus and the private sector generated a series of public concerns about its limits. The deepening of public-private relations in the area of defence and national security raised questions about the influence of the defence and national security industry on American politics. The fiercest criticisms of the ‘intelligence-industrial complex’ considered that a national security elite, or a faction across the executive and legislative branches of government and the security industry, unduly concentrates power in its own interest.247 This situation reportedly loosened public control over the industry and led to a series of inefficiencies. Moreover, the expansion of the role of

public and private intelligence activities during the Cold War brought agencies to the limits of national security activities in a democracy. The IC, with the support of the private sector, threatened US civil liberties and human rights and on at least one occasion, the Iran-Contra scandal, the private sector took part in an operation that contravened a democratically-established mechanism of intelligence oversight. In addition, the deep ties between the IC and the private sector made the former vulnerable to hostile penetration via the latter. Overall, the historical connections between public and private sectors in the realm of intelligence and national security show and explain how private sector excesses are not fundamentally different from ‘civil servants missteps’.\textsuperscript{248} Public awareness of the problems and limits of the relationship between the IC and the private sector during the Cold War is worth keeping in mind when assessing the evolution of national security intelligence in the twenty-first century.

\textsuperscript{248} Cohen, ‘Putting a human and Historical Face on Intelligence Contracting’, p.233.