

Chapter Two

Trial and Error

The Management of Covert Subsidy Programs, 1951-1966 (U)

The CIA's use of American voluntary organizations to stiffen resistance to Communism abroad gained an attentive patron with the arrival of Allen Dulles as the first Deputy Director for Plans (DDP) in January 1951. Dulles had experience with these activities as one of the ostensible founders of the National Committee for Free Europe, and he also had taken an interest in OPC's labor operations. He was intrigued by the possibilities for taking the offensive against Communism in other fields as well. Dulles' attention to these matters persisted as he rose to Deputy Director of Central Intelligence and then succeeded Gen. Walter Bedell Smith as DCI at the beginning of the Eisenhower administration. His long tenure as Director coincided with the maturation and middle age of the Agency's operations with American voluntary groups. (C)

CIA operations involving American voluntary groups expanded so quickly during the early 1950s that the Agency had to devise elaborate procedures to fund, manage, and protect its operations. A growing professionalism became noticeable as the Directorate of Plans (formed by the 1952 merger of OPC and OSO) applied better people and practices to covert political action. Nevertheless, the sheer size of the covert subsidy program, which lent substantial institutional momentum to its individual operations, also made it increasingly difficult to fund them in a secure manner. This study will examine three individual operations in later chapters, but before doing so it will explain, in this chapter, how this covert action program grew so large and why it did so without correcting what ultimately proved to be fatal weaknesses. (U)

The Creation of IO (U)

In April 1951, DDP Allen Dulles brought Thomas Braden to CIA. Just 33 years old, Braden already owned a distinguished resume. Raised in Iowa, he graduated from Dartmouth and spent three years in the British Army before joining the Office of Strategic Services in 1944. He had co-authored (with Stewart Alsop) *Sub-Rosa: The OSS and American Espionage*, served as Executive Secretary for New York's Museum of Modern Art, and directed Gen. William J. Donovan's American Committee for a United Europe (which was passing OPC money to selected groups working for European unity).¹ (S)

DDP Dulles initially gave Braden Carmel Offie's labor portfolio (Offie had resigned in May 1950). Dulles also removed the coordination of labor operations from Wisner's OPC, but when Dulles became Deputy Director of Central Intelligence (DDCI) he hit upon a better idea for handling such sensitive programs. In August 1951, Dulles had OPC's Special Projects Division renamed the International Organizations Branch, and had it placed in a new Psychological Staff Division (PY). Dulles then put Tom Braden in charge of the International Organizations Branch and added to the Branch's duties the management of labor operations and the National Committee for Free Europe.² (S)

Braden soon began looking for new responsibilities for his branch. He talked to several division chiefs, persuading them without much difficulty to give him control over the Congress for Cultural Freedom and the Committee for Free Asia (CFA) projects.³ He also drafted a broad mission statement for the reconstituted IO Branch and passed it to the new Assistant Director for Policy Coordination, Kilbourne Johnston. Braden's ambitious plan proposed a counteroffensive against Moscow's drive to unite the discontented of the world against America and the West:

It is the function of the [International Organizations] Branch to expand and direct this counter-offensive. Through the penetration, control and support of selected non-governmental groups . . . this Branch will seek to unite the private and unofficial resources of the non-Soviet world in support of affirmative US policy objectives and to destroy the effectiveness of Soviet international programs.

¹Thomas W. Braden, interview by Michael Warner, tape recording, Prince William County, VA, 26 August 1993 (hereafter cited as Braden interview). (S)

25X1

Braden cited eight operational areas, ranging from emigre radio broadcasts to "exploitation" of Western culture, as parts of a broad assault on Soviet power and influence.⁴ ~~(S)~~

The fate of Braden's proposal demonstrated two things. First, it showed the close attention that Allen Dulles paid to international labor and cultural projects, and his willingness to protect IO Branch and its projects from bureaucratic attacks. Second, it highlighted the novelty of the covert actions that OPC undertook with groups such as the Congress for Cultural Freedom and the National Student Association. These actions were unconventional responses to the Soviet peace offensive, and their merit was not always noticed by the intelligence professionals in the Office of Special Operations or even by other OPC hands in the area divisions. While other offices skirmished with Communism in Europe and the Third World, in Braden's view, his staff would operate on a strategic scale by attacking the enemy's will and his capacity to initiate hostile action. (U)

Resistance to Braden's ideas in OPC did not take long to emerge. The main problem was the already-hoary internal OPC dispute over the boundary between plans and operations. Would the IO Branch have *operational* control, superior to that of the area divisions, over the operations it had planned and initiated in their respective countries? Or would the branch limit its activities to reviewing the plans of other divisions? ~~(C)~~

Braden insisted his effective international programs cut across the regional boundaries of OPC's area divisions, and categorically rejected any proposal that would let the area divisions write project proposals while IOB merely offered advice. He had several objections to such a plan. Chief among them was his concern that the area divisions would tend to devote their resources and attention to operations of immediate regional concern, and would have difficulty judging the needs and relevance of transnational organizations.⁵ (U)

ADPC Johnston seems to have sided with his area division chiefs. Deputy Director for Plans Frank Wisner, who apparently saw no easy solution to the dispute, chose to stay out of the fray. He did nothing about

⁴Thomas Braden, Psychological Division, to Kilbourne Johnston, Assistant Director for Policy Coordination, "Objectives of the International Organizations Branch," 19 November 1951, cited in Anne B. Crolius' draft history, "Covert Action in the Cold War: An Historical Perspective of the International Organizations Division, 1951-1962," a draft monograph in the Clandestine Services Historical Series, 2.242, CIA History Staff, 1972, pp. 14-17. ~~(S)~~

⁵Tom Braden to Kilbourne Johnston, "Relations of International Organizations Branch to Area Divisions," 29 November 1951, ~~(S)~~

Braden's 29 November memo for a month; Braden was still nagging him to read it the day after Christmas.⁶ Even after Wisner read the memo, he did nothing to help or hinder Braden's plan. ~~(C)~~

By this time, Braden had appealed to Dulles over the heads of both Johnston and Wisner. On 20 December, Braden asked Dulles to resolve the dilemma of an IO liaison officer who had been assigned to ~~25X1~~ but was reluctant to leave the States without knowing whether to report back to IO Branch or Western Europe Division (WE) at Headquarters. Braden pushed the issue of operational control, suggesting that IO Branch be upgraded to a division and authorized to "develop and operate" projects with international organizations. The time had come to fish or cut bait:

Failing orders incorporating something like the above [solution], the IO Branch could, I presume, continue to exercise its present rather haphazard duties of advising area divisions on international organizations whenever such advice is sought. I think there is real doubt whether the Branch should be continued in order to perform these duties.⁷ ~~(C)~~

A few days later Dulles passed Braden's memo back to Wisner with his own pointed comment: "I am inclined to believe that an Int. Org. [sic] office is desirable and that it should have sufficient authority to act if properly coordinated."⁸ ~~(C)~~

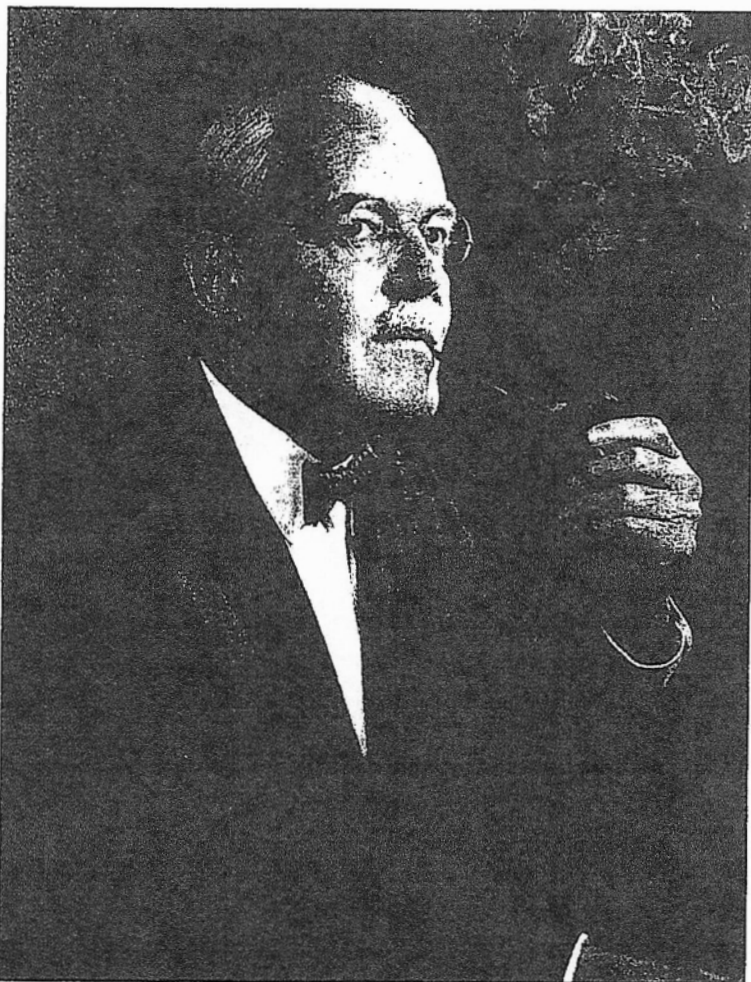
Dulles had intervened not just to help his protegee Tom Braden; other divisions had legitimate complaints about the problems involved with coordinating international operations. The Far East Division griped that a WE Division officer, without coordinating his action with FE, had encouraged a ~~group~~ group to join the Congress for Cultural Freedom. Shortly after that, the chief of the Contract and Coordination Staff urged Braden to consolidate OPC operations with the National Student Association in IO Branch or risk "a chaotic financial, security and control situation."⁹ Braden helpfully attached copies of both complaints to his 20 December memo to Dulles. ~~(C)~~

⁶Tom Braden to Frank Wisner, Deputy Director for Plans, "Relation of International Organizations Branch to Area Divisions," 26 December 1951, ~~25X1~~

⁷Tom Braden to Allen Dulles, Deputy Director for Central Intelligence, "Function of the IO Branch," 20 December 1951, ~~25X1~~

⁸Ibid. (U)

⁹Richard G. Stilwell, Chief, Far East Division, to Tom Braden, "Allocation of Responsibility for Projects re International Organizations," 18 December 1951 (Confidential). Emmett D. Echols, Deputy Comptroller, Office of Finance, "OPC Utilization of the USNSA," 13 December 1951 (Confidential). Both memos are attached to Tom Braden to Allen Dulles, "Function of the IO Branch." ~~(C)~~



Allen W. Dulles, a firm patron of covert political action. (11)

Allen Dulles' now explicit support soon helped to resolve matters. ADPC Johnston was frequently away from his office that winter and left many decisions to his deputy, Gerald Miller. Dulles phoned Miller about the dispute soon after New Year's, and Miller replied with a compromise proposal on 21 January 1952. He and Braden had come together and, after "many hours of conference and discussion," had worked out an arrangement. They agreed that IO Branch should have sole control over

labor operations and the "national committees" (NCFE and CFA), but that the Branch should only "maintain CIA influence" over organizations that were clearly international in scope but not manageable by any single area division."⁹ (S).

Frank Wisner forwarded the memo to Dulles without taking a position on its content; he apparently decided that discretion was the better part of valor after he surmised that Dulles was going to resolve the dispute personally. On 2 February, Dulles replied to Miller's suggestions (in a memo that Wisner promptly passed to Miller, delegating to the Acting ADPC the authority to deal directly with Dulles on the new matter). Dulles agreed that IO Branch should handle those organizations and activities in the "cultural, youth, student[,] cooperative, veterans and labor fields" deemed "clearly international" in character by the DDP (in consultation with the ADPC). IO Branch would also coordinate all of its outgoing cables through the relevant area divisions. Dulles sent Wisner a second draft of the arrangement on 11 February."¹⁰ (S).

One matter remained unsettled. Braden had let his lieutenants Cord Meyer and William Durkee persuade him that the International Organizations Branch had grown so large that it ought to be rechristened as a division. Wisner's staff and division chiefs reacted coolly to this idea. "We got enough bosses now. We got enough people now. We don't want people cutting across area lines. That would be a balls up," Braden recalled them saying at a meeting convened to discuss it. Braden left the meeting furious, marching in to Dulles' office to resign."¹¹ Once there, however, he learned that Frank Wisner, who was not present at the meeting, had asked Dulles to override the division chiefs and authorize creation of a new division."¹² The International Organizations Division officially began operations on 10 March 1952. (C)

IO got off to a fast start. Braden finally had the authority and the staff to run the programs professionally and to implement ideas that had languished in OPC safes for the last two years. He also had a big budget. DCI Smith approved expenditures of more than 25X1 on IO projects for Fiscal Year 1953. Much of this money went to the "national committees" (NCFE and CFA), but IO budgeted more than 25X1

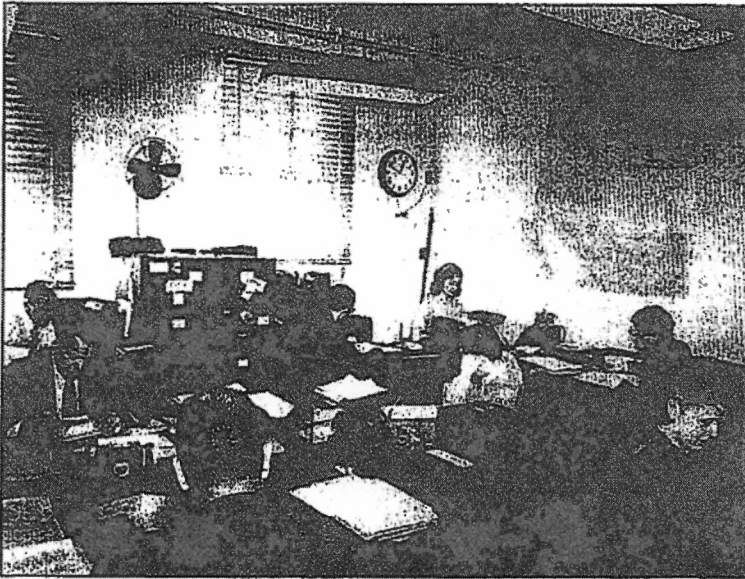
⁹The ADPC's memo to Dulles is cited in Crollius; the cover letter is Frank Wisner to Allen Dulles, "Organization and Procedures for Dealing with International Organizations," 24 January 1952, CIA Statute

¹⁰Allen Dulles to Frank Wisner, "Organization and Procedures for Dealing with International Organizations," drafts dated 2 and 11 February 1952, 25X1

¹¹The 11 February draft is in CIA Statute

¹²Braden interview, 26 August 1993, 6c).

¹³Thomas W. Braden, "I'm Glad the CIA is 'Immoral'," *Saturday Evening Post*, 20 May 1967, p. 11. (U)



A typically crowded and busy office in one of OPC's branches. (C)

on its cultural, labor, and "voluntary" projects.¹⁴ IO's staff expanded as well. Within two years of IO's creation, its original three branches had become five: Branch 1, (NCFE); Branch 2, (the Asia Foundation [formerly CFA]); Branch 3, (Organizations); Branch 4, labor; and Branch 5, (the American Committee for Liberation, which ran Radio Liberty).¹⁵ (S)

IO Division also gained an overseas branch^{25X1}

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^{25X1} LCPIPIT, the new branch was OPC's response to management problems encountered by the new Congress for Cultural Freedom in 1951.^{25X1} Michael Josselson had initially

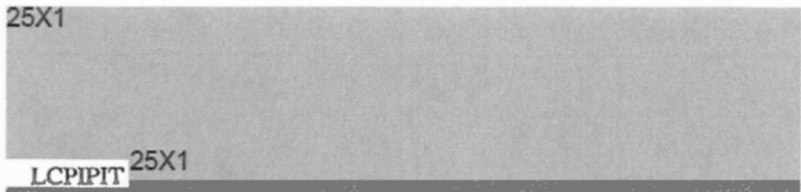
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solved the problem in 1951 by creating a parallel station within the ^{25X1} to work specifically with international organizations. LCPIPIT

^{25X1}

¹⁴Crolius, "Covert Action in the Cold War," pp. 33-34. (S)

25X1



LCPIPIIT 25X1

IO's place in the organizational hierarchy never reflected its full influence and importance in CIA. When OPC merged with the Office of Special Operations in August 1952, IO became part of Frank Wisner's Directorate of Plans and was nominally subordinate to Gerald Miller as Chief of Political and Psychological Warfare; it remained so for two more years, after which it reported directly to the DDP, like the area divisions. Miller also nominally assumed the ADPC's *ex officio* role of deciding which organizations were "clearly international" and thus in IO's bailiwick.¹⁸ Nevertheless, neither he nor Wisner closely supervised Braden's operations. Braden often reported first to Allen Dulles, an arrangement that, Braden later claimed, Wisner never protested.¹⁹ (S)

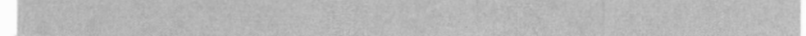
The rationalization of CIA control over international covert projects soon made a difference in the way these operations ran. Braden ensured that his programs had high-level approval. In autumn 1952 his global program won a formal endorsement from the Review Group of President Truman's short-lived Psychological Strategy Board, a predecessor of later interagency covert action authorization committees.²⁰ Internal DDP reviews of projects that IO adopted from the area divisions soon began noting that the operations seemed to work more smoothly under IO's management.²¹ This trend continued and eventually won IO a reputation, even among critics of its operations, as one of the Directorate of Plans' best-run divisions.²² (S)

25X1



¹⁸Braden interview, 26 August 1993. (S)

25X1



²⁰Assistant to the Director to Walter B. Smith, "OKOPERA," 14 July 1952.

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Indeed, the year 1952 marked a watershed in the history of CIA's involvement with American voluntary groups, marking the beginning of the steady, professional maintenance of these operations (at least at the division level) that continued for many years. That year's presidential election also brought the end of General Smith's directorship. Under President Eisenhower and his new DCI, Allen Dulles, IO no longer had to coordinate each of its operations with the Department of State (now run by Dulles' brother, John Foster).²¹ (S)

Cord Meyer, Tom Braden's deputy, took over IO when Braden resigned in 1954, but high-level support for IO's program continued. DCI Dulles took a personal interest in IO's activities and in effect made Meyer one of his senior advisers on covert action. Meyer, two years younger than Braden, had followed a similar career path and had gained firsthand knowledge of Communist front-group tactics. Like Braden, he had attended an Ivy League school (Yale), served in World War II (as a Marine lieutenant he lost an eye on Guam), and gone on to become a publicist for liberal international causes (particularly world federalism). Meyer joined the American Veterans Committee in 1946 and helped that organization defeat a Communist effort to infiltrate and co-opt it. After Meyer finished his graduate courses at Harvard in 1951, Allen Dulles offered him a CIA position "at a middle level of executive responsibility." Impressed by Dulles and reassured about CIA by Walter Lippmann, Meyer took the job and joined the International Organizations Branch that October.²² CIA Statute

CIA Statute

(U)

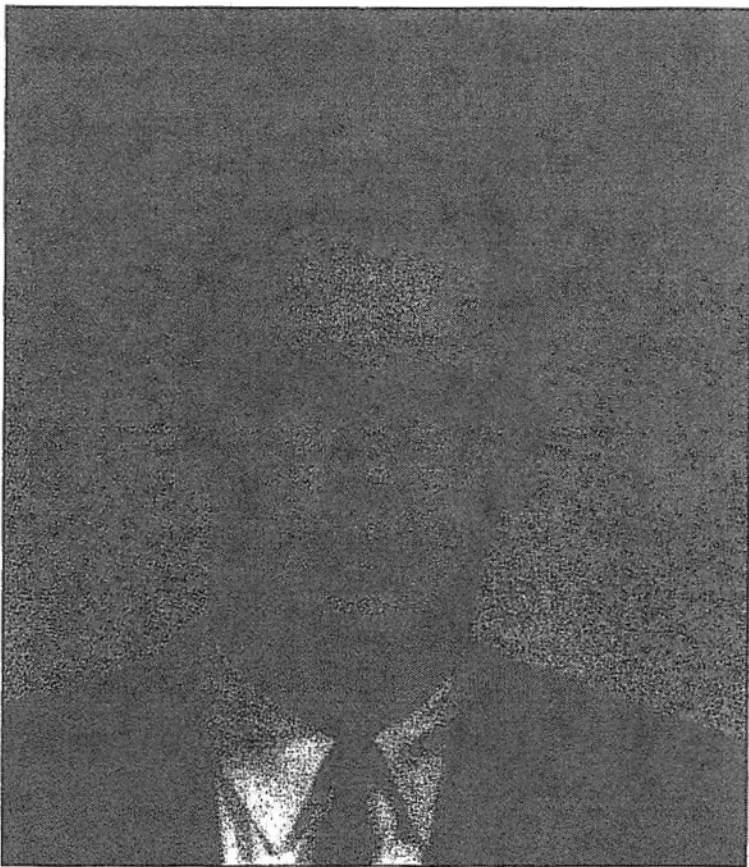
Financing Covert Operations (U)

IO had a cool though necessarily symbiotic relationship with other Directorate of Plans divisions. The creation of IO in 1952 marked the beginning of a lasting rivalry between its operators and other DDP officers. The more conventionally minded officers in the area divisions, many of whom had intelligence experience in OSS, regarded their IO colleagues as Ivy League aesthetes, and viewed IO's projects as "frumpy."²³ IO staffers, for their part, saw themselves as practicing skills of a different and higher order: IO sought to influence events, not just to

²¹Braden interview, 26 August 1993. (S)

²²Cord Meyer, *Facing Reality: From World Federalism to the CIA* (New York: Harper & Row, 1980), pp. 50-65. (U)

²³For a traditionalist view of the IO-area divisions rivalry, see Joseph B. Smith, *Portrait of a Cold Warrior* (New York: G.P. Putnam's Sons, 1976), pp. 162-164, 206. (U)



Cord Meyer, Jr. headed the International Organizations Division and later the Covert Action Staff. (U)

“report” them. In some projects, such as the operation involving the National Student Association, IO managers and case officers seemed to feel that, although they cooperated with other CIA components for mutually desired purposes, they were outside the Agency’s mainstream.²⁶ (U)

25X1

IO's psychological and political warfare operations depended almost from the beginning on a complicated network of agents and proprietary organizations that passed CIA money to intended recipients and ensured that the money went for approved purposes. The Agency (mainly through 25X1 [redacted] 25X1 [redacted] secretly constructed this network in the early 1950s

[redacted] drawing on the ties of friendship and collegiality that linked CIA's principals to wealthy, philanthropic, and politically moderate northeastern families and businessmen. Cooperation 25X1 [redacted] had to be close, but it naturally produced a certain amount of friction

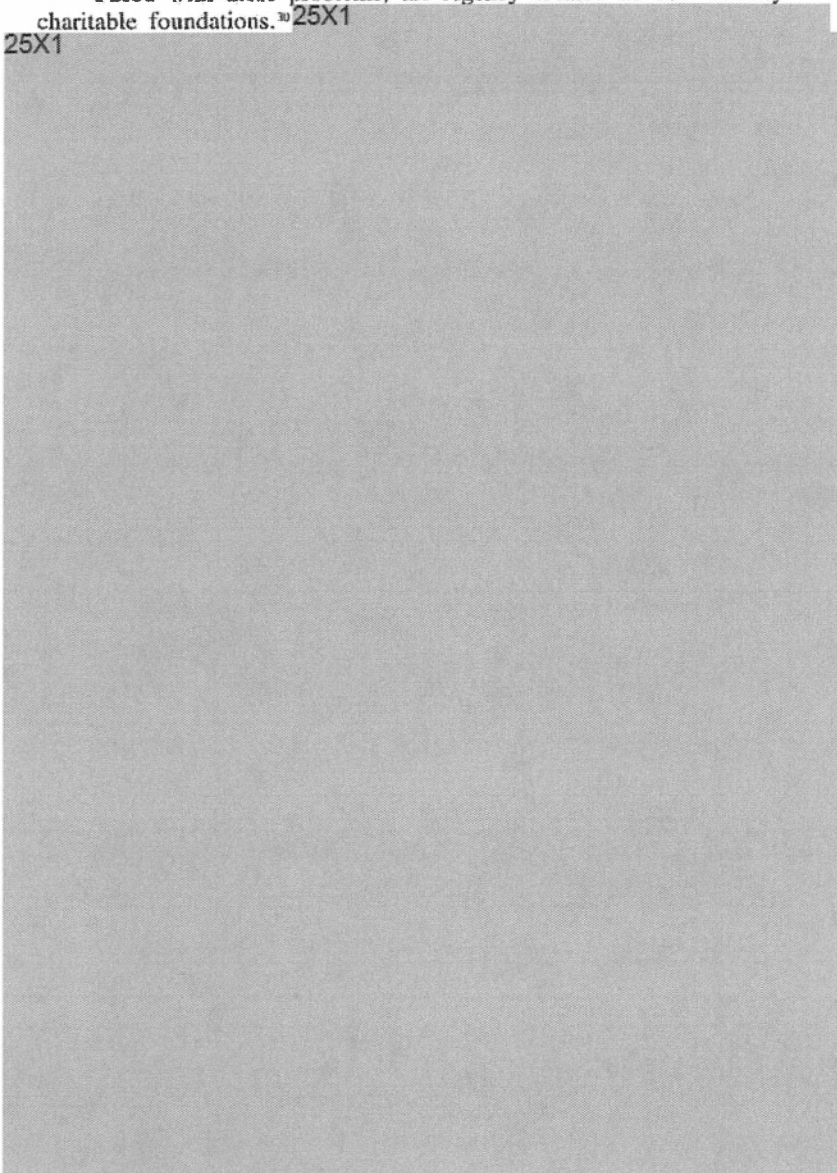
25X1 [redacted] In consequence, the CIA's funding network retained a particular vulnerability to legal and political changes affecting the foundation community at large—a weakness that could have been fixed only through painstaking cooperation among the Agency offices involved. (e)

OPC's earliest covert subsidy operations relied on allied private organizations 25X1 [redacted]

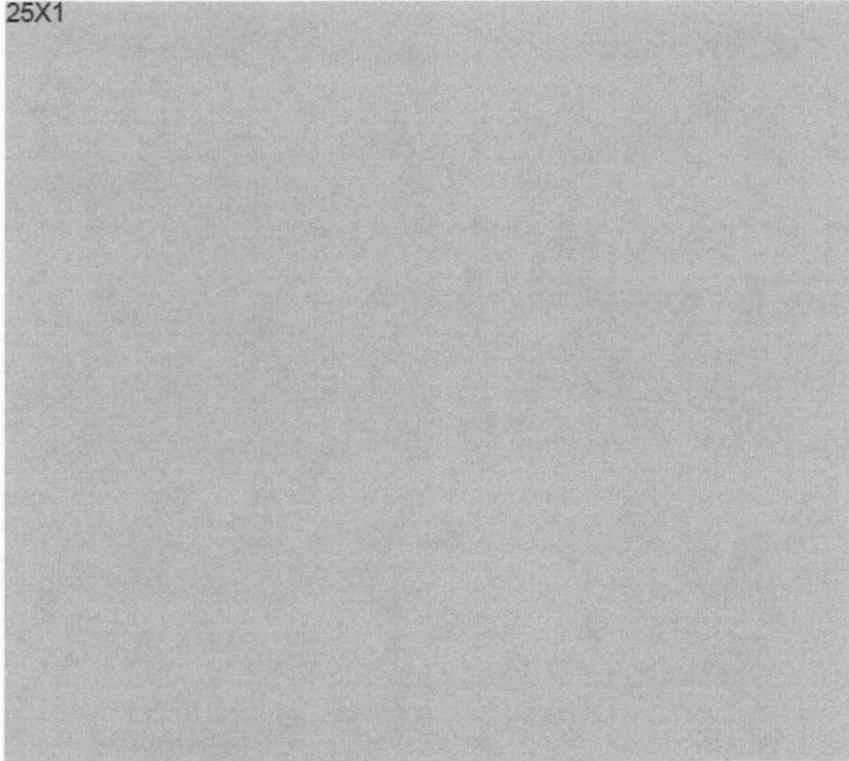
25X1 [redacted] Sometimes the case officer or agent in the field simply handed over the money with the explanation that it had come from a fictitious "anonymous donor." These ad hoc arrangements quickly proved untenable, however, because the sums involved were often too large to explain away as the beneficence of any single individual. Most CIA client organizations needed attributable and plausible sources for their funding. (e)

25X1 [redacted]

Faced with these problems, the Agency created its own dummy charitable foundations.^u25X1
25X1



25X1



Looked at in one way, IO Division had willy-nilly become one of the world's largest grant-making institutions. By the mid-1960s, the magnitude of the CIA's involvement in the foundation community was staggering. The Final Report of the Church Committee in 1976 placed this intrusion in perspective:

Excluding grants from the "Big Three"—Ford, Rockefeller, and Carnegie—of the 700 grants over \$10,000 given by 164 other foundations during the period 1963-1966, at least 108 involved partial or complete CIA funding. More importantly, CIA funding was involved in *nearly half* the grants the non-"Big Three" foundations made during this period in the field of international activities [emphasis in original].⁴⁶

25X1



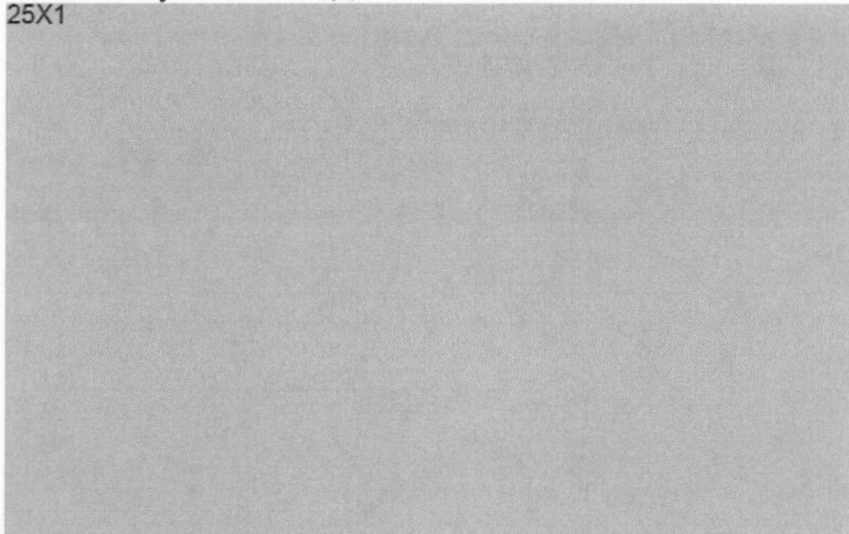
⁴⁶Senate Select Committee to Study Governmental Operations with respect to Intelligence Activities, "Final Report: Foreign and Military Intelligence, Book 1," 94th Congress, 2d Session, 1976, p. 182. (U)

The CIA had come to play such a large role in the nation's foundation community that Agency officials, even years before the *Ramparts* expose, could not have shut down the covert subsidy effort without causing serious dislocations in an important sector of American society. (U)

The sheer size of the DDP's funding network increased the incidence of seemingly minor mistakes and disclosures that revealed portions of the Agency's activities. The network's complexity also made it difficult for CIA officials to grasp the nature and scope of its problems, let alone design comprehensive solutions to shore up its security. The year 1957 marked another turning point for the covert subsidy programs, although no one at the time recognized the watershed. (U)

In New York City a new, nonprofit organization, the Foundation Library Center, began amassing information on America's thousands of foundations. The Library had a loose association with New York University but received sustaining grants from the Ford Foundation and the Carnegie Corporation. Its chief executive—longtime foundation officer F. Emerson Andrews—saw the Library as a way to raise the foundation community's collective standards by making it obvious which organizations were real foundations and which were fronts or even tax scams. Andrews and more than a few of his formally unwitting colleagues in the New York foundation community had already divined that the CIA or the "US Government" secretly backed many foundations. Gossip and speculation about CIA covert funding activities would worry Agency officials for years to come.¹⁷ (U)

25X1



25X1


The Internal Revenue Service (IRS) independently took a step in late 1957 that increased the possibility of the breakdown ~~statute~~ foretold. Responding to growing Congressional and public concern over unorthodox financial practices by some tax-exempt foundations, the IRS began requiring all tax-exempts to file a detailed form called the 990-A. The first part of the form, for internal IRS use, required charitable foundations to list the source *and amount* of each gift received. The second part—which the IRS made available to the public upon request—required an item-by-item list of the foundation's grants. Typically, the instructions accompanying the revised tax forms proved confusing. Foundation accountants frequently attached both lists, of donors and beneficiaries, to the public part of their returns. IRS clerks often did not catch these errors, according to ~~FOIA~~ and they carelessly filed both sections in publicly available files.⁴¹ Files in IRS district offices soon bulged with data on the activities of many Agency-associated foundations and funding mechanisms.⁴² (U)

25X1


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25x1 Ironically, the safest operations turned out to be those that gave hardly a thought to appearances and simply passed cash to individual recipients, leaving them with the task of explaining the money's origin to inquiring friends and colleagues.⁴⁴ (S)

The CIA under Allen Dulles allowed the threat of exposure to grow to unmanageable proportions. By the summer of 1958 the three Agency components most directly responsible for the funding network—IO Division, Central Cover, and the Office of General Counsel—had received warnings from New York and had spotted danger signs. More urgent warnings would come in the early 1960s. Agency officials spent the next eight years worrying about these threats, but trying only sporadically and ineffectively to minimize them. (U)

Responding to the Threat (U)

Responsibility for maintaining the covert funding network's security spread across several Agency components as the network grew in size and complexity. As covert subsidy projects proliferated, so did the needs of the operational divisions to pass ever-larger sums to more clients. And more and more Agency components and officers had to share responsibility for managing the funding network. By the late 1950s, the funding needs of Cord Meyer's International Organizations Division

25X1