

## **The CIA under Harry Truman**

Emerging from World War II as the world's strongest power, the United States was hardly equipped institutionally or temperamentally for world leadership. In the autumn of 1945 many Americans, in and out of government, were not at all eager to wield their nation's power to bring about some new global order. Indeed, many—perhaps most—Americans thought that victory over the Axis powers would in itself ensure peace and stability. In any event, Americans remained confident that the United States would always have enough time and resources to beat back any foreign threat before it could imperil our shores.

America's wartime leaders, however, knew from experience that the nation could never return to its prewar isolation. President Truman bore the full weight of this knowledge within weeks of the death of Franklin D. Roosevelt. In July 1945, as he discussed the future of Europe with Joseph Stalin, Winston Churchill, and Clement Attlee at Potsdam, Truman secretly authorized the use of atomic bombs on Japanese cities. The unexpectedly rapid defeat of Japan and the growing tensions between the United States and the USSR over occupation policies in Germany and Eastern Europe persuaded many observers that the wartime Grand Alliance of America, Britain, and Russia was breaking up, and that the United States might soon confront serious new dangers in the postwar world.

In responding to this challenge, the Truman administration in 1946 and 1947 created a new peacetime foreign intelligence organization that was not part of any department or military service. The early history of that new body, which became the Central Intelligence Agency (CIA), offers a window on the Truman administration's foreign policy—a window that this volume seeks to open a little wider. By describing American plans and actions in founding and managing the nation's new central intelligence service, this volume should help scholars to identify the key decisions that animated the CIA, and to fit them into the context of the Cold War's first years.

The CIA's early growth did not follow a predestined course. Two historical events—one past, the other contemporary—were uppermost in the minds of the Truman administration officials who founded and built CIA. The Japanese surprise attack on Pearl Harbor demonstrated that the United States needed an effective, modern warning capability. Soon after this disaster it was clear that the intelligence failure at Pearl Harbor was

primarily one of coordination—that analysts had failed to collate all available clues to Japanese intentions and movements. The second event—Stalin’s absorption of Eastern Europe—occurred before the worried eyes of the Truman administration. The war in Europe was barely over when American and foreign reports on Soviet conduct in the occupied territories began to trouble observers in Washington, London, and other capitals. Although the lessons of Pearl Harbor were perhaps uppermost in the minds of the President and his advisers in 1946 and 1947, their concern over Soviet conduct eventually dominated the organization of a postwar intelligence capability.

During World War II the United States had built a formidable intelligence and covert action agency, the Office of Strategic Services (OSS). In 1944, its chief, William J. Donovan, formally urged the President to create a permanent, worldwide intelligence service after the war ended. President Roosevelt made no promises, and after Roosevelt’s death (and the German surrender) President Truman felt no compulsion to keep OSS alive. America’s commanders in the Pacific had no use for Donovan and OSS, and Truman himself feared that Donovan’s proposed centralized, peacetime intelligence establishment might one day be used against Americans.<sup>1</sup>

Recognizing the need for an organization to coordinate intelligence for policymakers, however, President Truman had solicited proposals for creating such a capability even before he abolished OSS.<sup>2</sup> In his Executive order dissolving the Office on 1 October 1945, he noted that America needed “a comprehensive and coordinated foreign intelligence program.” Over Donovan’s objections, Truman gave the State Department the OSS Research and Analysis Branch, while the War Department adopted the remnants of the OSS clandestine collection and counterintelligence branches, which it named the Strategic Services Unit (SSU). The capability that OSS had developed to perform “subversive operations abroad” was abandoned.<sup>3</sup>

In late 1945 departmental attention and energies therefore turned to arguments over the powers to be given to a new intelligence office. The State, War, and Navy Departments, who quickly agreed that they should

<sup>1</sup>Richard Dunlop, *Donovan: America's Master Spy* (Chicago: Rand McNally, 1982), pp. 467-468; William J. Donovan to Harold D. Smith, Director, Bureau of the Budget, 25 August 1945, reproduced in Thomas F. Troy, *Donovan and the CIA: A History of the Establishment of the Central Intelligence Agency* (Washington: Central Intelligence Agency, 1981), p. 455.

<sup>2</sup>Harry S. Truman, *Memoirs: Years of Trial and Hope* (New York: Doubleday, 1956 [1965 paperback edition cited]), II: 73-76.

<sup>3</sup>William J. Donovan, Memorandum for the President, 13 September 45, Document 1; Executive Order 9621, 20 September 1945, Document 3.

oversee the proposed office, stood together against rival plans proposed by the Bureau of the Budget and J. Edgar Hoover's Federal Bureau of Investigation (FBI). The Army and the Navy, however, would not accept the State Department's demand that the new office's director be selected by and accountable to the Secretary of State. The services instead preferred a Joint Chiefs of Staff plan, which was also part of the report on armed services unification that Ferdinand Eberstadt had prepared for Navy Secretary James Forrestal.<sup>4</sup> In December 1945 an impatient President Truman asked to see both the State Department's and the Joint Chiefs' proposals and decided that the latter looked simpler and more workable. After the holidays President Truman created the Central Intelligence Group (CIG), in a diluted version of the JCS proposal.<sup>5</sup> President Truman persuaded one of the authors of the Eberstadt plan, Sidney Souers, a Missouri businessman and Naval Reserve Rear Admiral, to serve for a few months as the first Director of Central Intelligence (DCI).<sup>6</sup> And so on 22 January 1946 the Central Intelligence Group was born. Having signed a directive creating CIG, the President invited Rear Admiral Souers to the White House two days later to award him a black cloak and wooden dagger as mock symbols of office.<sup>7</sup>

With only a handful of staffers—most loaned from the State Department and the services—CIG was but a shadow of the wartime OSS.<sup>8</sup> Directed to coordinate the flow of intelligence to policymakers, it had no authority to collect clandestine foreign information from agents in the field or to effect consensus among the various intelligence-producing departments.<sup>9</sup> Last-minute compromises in the Joint Chiefs' plan to appease the State

<sup>4</sup>Troy, *Donovan and the CIA*, pp. 297-300, 315, 322; William D. Leahy, Memorandum for the Secretary of War and Secretary of the Navy, "Establishment of a central intelligence service upon liquidation of OSS," 19 September 1945, Document 2.

<sup>5</sup>Sidney W. Souers, Memorandum for Commander Clifford, 27 December 1945, Document 5; Troy, *Donovan and the CIA*, p. 339.

<sup>6</sup>Truman, *Memoirs: Years of Trial and Hope*, II: 74-76. Souers, a banker and insurance executive who had been a prewar pillar of the Democratic Party in St. Louis, later recalled that, on learning of Truman's nomination for the Senate in 1934, he had thought to himself, "I would not hire that man in my business for more than \$250 a month." After the war Souers became close to Truman and served the President as the National Security Council's first executive secretary, from 1947 to 1950, and remained as an adviser on foreign affairs after leaving the NSC. William Henhoeffter and James Hanrahan, "Notes on the Early DCIs," *Studies in Intelligence* 33 (Spring 1989): 29.

<sup>7</sup>Truman to the Secretaries of State, War, and Navy, 22 January 1946, Document 7; Diary of William D. Leahy, 24 January 1946, Library of Congress.

<sup>8</sup>The history of CIG is recounted in several works. The most detailed is Arthur B. Darling, *The Central Intelligence Agency: An Instrument of Government, to 1950* (University Park, PA: Pennsylvania State University Press, 1990). Thomas Troy's *Donovan and the CIA* discusses the founding of CIG at length. Anne Karalekas provides a brief but clear synopsis in her "History of the Central Intelligence Agency," in William M. Leary, editor, *The Central Intelligence Agency: History and Documents* (University, AL: University of Alabama Press, 1984).

<sup>9</sup>In intelligence parlance, "clandestine collection" is a term for the secret gathering of information, often by espionage.

Department and the Bureau of the Budget had made CIG an interdepartmental body that lacked its own budget and personnel.<sup>10</sup> But from this humble beginning CIG soon began to grow. President Truman liked the Group's *Daily Summary*, which spared him the trouble of wading through the hundreds of intelligence and operational cables from overseas posts that the departments passed on to the White House.<sup>11</sup> CIG answered to the President through the National Intelligence Authority (NIA), which comprised the Secretaries of State, War, and Navy, joined by the President's representative, Fleet Admiral William Leahy, who was Chief of Staff to the Commander in Chief (and had headed the Joint Chiefs of Staff since 1942). This proximity to the Oval Office, along with Leahy's friendly patronage, gave DCI Souers more influence than CIG's weak institutional arrangements might indicate. The President read the CIG's *Daily Summary* and *Weekly Summary* six mornings a week, and Admiral Leahy helped the new Group overcome bureaucratic obstacles thrown in its path by jealous departments.<sup>12</sup>

After five quiet months as DCI, Rear Admiral Souers returned to civilian life and his business interests. Souers informally nominated Lt. Gen. Hoyt S. Vandenberg, US Army Air Forces, to follow him as DCI, knowing that Vandenberg had the clout and the inclination to build CIG into a position of real power in Washington. Nephew of the powerful Republican Senator, Arthur Vandenberg, the general had a distinguished war record in the Army Air Forces and aspired to command the independent United States Air Force that he hoped would soon be created. Although Vandenberg saw his stint with CIG as a temporary detour in his military career, he made the most of this opportunity to demonstrate his political and administrative talents by setting aside parochial service interests and working to expand the Group's power and responsibility.<sup>13</sup> Under his year-long directorship, CIG gained an independent budget and work force, and won authority to collect and analyze—as well as collate—intelligence.<sup>14</sup> General Vandenberg also persuaded the White House that

<sup>10</sup> Troy, *Donovan and the CIA*, p. 346.

<sup>11</sup> CIG sent its first *Daily Summary* to the President on 15 February 1946; see Central Intelligence Group, *Daily Summary*, 15 February 1946, Document 10; Montague, Memorandum for the Assistant Director, R&E [J. Klahr Huddle], "Conversation with Admiral Foskett regarding the C.I.G. Daily and Weekly Summaries," 26 February 1947, Document 27. For a glimpse at how the *Daily Summary* was written and edited in the early days, see Russell Jack Smith, *The Unknown CIA: My Three Decades with the Agency* (Washington: Pergamon-Brassey's, 1989), pp. 31-38.

<sup>12</sup> For an example of Admiral Leahy's patronage, see Darling, *The Central Intelligence Agency*, pp. 200-201.

<sup>13</sup> Phillip S. Meilinger, *Hoyt S. Vandenberg: The Life of a General* (Bloomington: Indiana University Press, 1989), p. 71.

<sup>14</sup> National Intelligence Authority, minutes of the NIA's 4th meeting, 17 July 1946, Document 13. CIG personnel numbered approximately 100 when Vandenberg became DCI in June 1946; six months later CIG had more than 1,800 people. Karalekas, "History of the Central Intelligence Agency," pp. 24, 26.

CIG in its present form was unworkable, and that a true central intelligence agency needed substantial bureaucratic independence and Congressional authorization.<sup>15</sup>

CIG grew as the Truman administration girded itself to contain the Soviet Union in Europe. In July 1946, to evaluate the increasingly disturbing cables and reports flowing into CIG, General Vandenberg created an Office of Research and Evaluation (which was soon renamed the Office of Reports and Estimates [ORE], at the State Department's insistence). Although its structure prevented it from producing much more than "current intelligence" (daily and weekly analyses of events as they happen), ORE sent some short but timely analytical papers to policymakers.<sup>16</sup> The first of these, "Soviet Foreign and Military Policy" (ORE 1), was produced and informally coordinated in just four days in response to an anxious request from the White House.<sup>17</sup> ORE 1's prediction that Moscow would be "grasping and opportunistic" echoed the "long telegram" on Soviet policy and conduct that Chargé d'Affaires George Kennan had sent from Moscow in February 1946, and seemed borne out by the accelerating pace of events.<sup>18</sup> Across Eastern Europe, CIG reported, Soviet occupation authorities worked with brutal efficiency to subvert the elections mandated by wartime agreements, imposing Communist-dominated regimes while using diplomacy and subterfuge to confuse the West and spur the pace of Western demobilization.<sup>19</sup> When Britain in February 1947 announced its intention to withdraw from Greece, leaving the field to Communist insurgents, the President announced his "Truman Doctrine" to a joint session of Congress on 12 March. Going beyond the crises in Greece and Turkey, President Truman depicted the Soviet advance in lowering terms:

The peoples of a number of countries of the world have recently had totalitarian regimes forced upon them against their will. The Government of the United States has made frequent protests against intimidation, in violation of the Yalta agreement, in Poland, Rumania, and Bulgaria.

<sup>15</sup> George Elsey, Memorandum for the Record, 17 July 1946, Document 12.

<sup>16</sup> Donald Edgar to the Executive to the Director [Edwin K. Wright], "An Adequacy Survey of 'The Adequacy Survey of the CIG Daily and Weekly Summaries' as it was Prepared by OCD on 9 December 1946," 2 January 1947, Document 22.

<sup>17</sup> Clifford to Leahy, 18 July 1946, Document 14. Clark Clifford and George Elsey requested ORE 1 as they prepared a paper known today as the Clifford-Elsey Report. The President had asked Clifford for an account of Soviet violations of wartime and postwar agreements, and Clifford's assistant George Elsey used this request to organize a comprehensive review of Soviet-American relations. (Robert J. Donovan, *Conflict and Crisis: The Presidency of Harry S. Truman, 1945-1948* [New York: W.W. Norton, 1977], p. 221.)

<sup>18</sup> Office of Research and Evaluation, ORE 1, "Soviet Foreign and Military Policy," 23 July 1946, Document 15. DCI Vandenberg soon afterward reiterated the message of ORE 1 in a letter to the President, saying that Moscow had recently stepped up its war of nerves with the West but was not yet preparing to invade Western Europe; see Vandenberg, Memorandum for the President, 24 August 1946, Document 18.

<sup>19</sup> Office of Reports and Estimates [ORE], ORE 1/1, "Revised Soviet Tactics in International Affairs," 6 January 1947, Document 23. Hereinafter, ORE reports will be cited only by title and number.

Democracy was threatened by a system that “relies upon terror and oppression, a controlled press and radio, fixed elections, and suppression of personal freedoms.” The President then stated the heart of his doctrine of containment: “I believe it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures.”<sup>20</sup> Senator Arthur Vandenberg, now president *pro tem* of the Senate, helped the President persuade the Republican-controlled Congress to back this step. A few months later, in June 1947, Secretary of State George Marshall proposed his famous plan for the reconstruction of the European economy. Moscow rejected the Marshall Plan, and its client states followed suit.<sup>21</sup>

All the while CIG had been expanding its capabilities. The Group gained authority in August 1946 to analyze intelligence on foreign atomic weapons and development.<sup>22</sup> More important, CIG in 1946 and early 1947 absorbed the War Department’s Strategic Services Unit, the remnants of the old OSS foreign collection and counterespionage branches. In a sense, this was like a mouse eating an elephant. SSU was much larger than CIG, with dozens of overseas stations and its own procedures and files running back to its wartime OSS origins; it was SSU that kept alive the spirit of the old OSS and eventually bequeathed it to CIA. The acquisition of SSU gave CIG the responsibility and capability to collect clandestine foreign intelligence independently of other departments and services. In addition, General Vandenberg wrested the mission of gathering intelligence in Latin America away from FBI chief J. Edgar Hoover.<sup>23</sup> CIG’s worldwide collection capability was based in the new Office of Special Operations, America’s first, civilian clandestine service.<sup>24</sup> When General Vandenberg returned to the Army Air Forces in May 1947, his CIG had become an important source of information for the President.

The rapid growth of one agency usually elicits an opposite (but not always equal) resistance from officials and agencies that stand to lose influence and resources to the expanding office. DCI Vandenberg met this kind of resistance in meetings of the Intelligence Advisory Board (IAB), a panel of uncertain authority comprising the chiefs of the departmental and service intelligence staffs, which had been created to help the DCI coordinate intelligence. Vandenberg wanted the Director of Central Intelligence to dominate the IAB as the “executive agent” of the National

<sup>20</sup> Quoted in Donovan, *Conflict and Crisis*, p. 284.

<sup>21</sup> Melvyn P. Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford, CA: Stanford University Press, 1992), pp. 184-186.

<sup>22</sup> Leahy to the President, 21 August 1946, Document 17.

<sup>23</sup> Leahy to General [Hoyt S.] Vandenberg, 12 August 1946, Document 16.

<sup>24</sup> Vandenberg, Memorandum for the Assistant Director for Special Operations [Donald Galloway], “Functions of the Office of Special Operations,” 25 October 1946, Document 20.

Intelligence Authority and to be answerable through the NIA to the President. Although the NIA approved his suggestion in February 1947, the other members of the IAB balked at Vandenberg's broad interpretation of his powers, and the general's successor as DCI felt the inevitable backlash.<sup>25</sup>

To alternate DCIs from the Army and Navy, the White House in early 1947 looked for an admiral to succeed Vandenberg. On the advice of James Forrestal, President Truman tapped Roscoe H. Hillenkoetter, who had been a naval attaché in Vichy and Paris and served as chief of intelligence for Admiral Nimitz in the Pacific war. A newly promoted rear admiral, Hillenkoetter had neither Vandenberg's rank nor his aggressiveness.<sup>26</sup>

Hillenkoetter took only a marginal role in the debate over the proposed National Security Act of 1947 (indeed, former DCI Vandenberg continued to testify before Congress on the CIA section of the bill even after Hillenkoetter had become DCI).<sup>27</sup> Along with transforming CIG into the Central Intelligence Agency, the bill also proposed to form an independent Air Force, to place the armed services under a new Secretary of Defense, and to create a National Security Council (NSC) to coordinate defense and foreign policy. Although Congressional debates over the bill focused on its "unification" of the military, some Congressmen worried that the new CIA was a potential American Gestapo until General Vandenberg and other officials explained that the bill's vague section on the CIA gave the Agency no police or subpoena powers, or internal security mission.<sup>28</sup>

The National Security Act won Congressional passage in July 1947, in a vote that was Congress's first word on the executive branch's creation of a peacetime foreign intelligence establishment (Congress had had virtually no role in the origin and development of CIG).<sup>29</sup> The Act recognized and codified both President Truman's original January 1946 CIG directive and General Vandenberg's bureaucratic victories, although for tactical reasons the White House had kept the Act's section on the CIA as brief as possible and postponed a full enumeration of the Director's powers.<sup>30</sup>

<sup>25</sup> National Intelligence Authority, minutes of the NIA's 9th meeting, 12 February 1947, Document 26.

<sup>26</sup> After Souers had initially declined the job in late 1945, Forrestal had proposed then Captain Hillenkoetter to be first DCI. Although Admiral Leahy admired Hillenkoetter, he drafted Souers, who had a higher rank and better understood the debates and compromises that had gone into the formation of CIG. Ludwell L. Montague, *General Walter Bedell Smith as Director of Central Intelligence* (University Park: Pennsylvania State University Press, 1992), pp. 35-36.

<sup>27</sup> Meilinger, *Vandenberg*, p. 77.

<sup>28</sup> Darling, *The Central Intelligence Agency*, pp. 176-177.

<sup>29</sup> National Security Act of 1947, 26 July 1947, Document 30.

<sup>30</sup> Pforzheimer, Memorandum for the Record, "Proposed Legislation for C.I.G.," 28 January 1947, Document 24; Eley to Clifford, "Central Intelligence Group," 14 March 1947, Document 29.

The Central Intelligence Group formally became the Central Intelligence Agency on 18 September 1947, although Congress did not pass comprehensive enabling legislation for the Agency until mid-1949.<sup>31</sup>

That the CIA continued to grow under Hillenkoetter's directorship owed more to the alarming world situation than to any empire building on his part. Before the autumn of 1947 American concern over Soviet behavior in Eastern Europe had been one of several forces behind the creation of CIG and its successor, CIA, but the events of the winter of 1947-48 made this concern predominant in the development of the CIA's authority and capabilities. Massive Communist-run strikes in France and Italy late in 1947, followed by the coup d'état in Czechoslovakia in February 1948, suggested that Stalin might not give the Marshall Plan (which was still hung up in Congress) time to rebuild the economies of Western Europe. Officials in the Truman administration decided that America had to fight fire with fire, matching the Soviets in propaganda and subterfuge.

Up to this time, however, no one had thought much about the nature and implications of covert action. The very term was rarely used. Instead, officials referred to separate components of what would later be collectively classed as covert operations. "Morale operations" or "psychological warfare" (essentially propaganda but embracing a variety of open and clandestine methods of bringing a message home to a target group) seemed to be something the State Department should do, at least in peacetime. On the other hand, unconventional, paramilitary, and sabotage operations looked useful for wartime; any capability to perform them seemed logically to belong to the military. What complicated the situation still further was that the Soviet Union, while not at war with anyone, had launched a political offensive apparently aimed at conquering peoples and territories as completely as if by armed invasion. This was truly "cold war," and it confused the already murky issue of "peacetime" versus "wartime" operations.

Truman administration officials responded to the ambiguous situation with a creative ambiguity of their own. In November 1947 the new National Security Council briefly considered assigning the peacetime psychological warfare mission to the State Department, until dissuaded by Secretary of State George Marshall, who insisted that such a role might embarrass his Department and harm American diplomacy. State and the military, however, still wanted a degree of control over psychological

<sup>31</sup> Hillenkoetter to the National Intelligence Authority, "National Security Act of 1947," 11 September 1947, Document 31; Central Intelligence Agency Act of 1949, 20 June 1949, Document 53. The 1949 Act finally regularized the CIA's budget, which until then had been a "special working fund" collected from the Departments of State, War, and Navy. The CIA Act of 1949 also gave statutory sanction to the DCIs' practice of spending unvouchered funds on clandestine collection and operations.



operations. The fledgling CIA seemed the best place to put this capability; the Agency had a worldwide net of operatives (many of them OSS veterans) trained in clandestine work, and it possessed unvouchered funds, which meant there would be no immediate need to approach Congress for new appropriations.<sup>32</sup> In December 1947 the National Security Council—over the misgivings of DCI Hillenkoetter—issued NSC 4-A. The directive pointed to “the vicious psychological efforts of the USSR, its satellite countries and Communist groups” and determined that CIA was “the logical agency” to conduct

covert psychological operations designed to counteract Soviet and Soviet-inspired activities which constitute a threat to world peace and security or are designed to discredit and defeat the aims and activities of the United States in its endeavors to promote world peace and security.<sup>33</sup>

NSC 4-A made the DCI alone responsible (and accountable to the NSC) for psychological operations, leaving him wide discretion in selecting targets and techniques.<sup>34</sup>

With the assignment of the covert “psychological” mission, CIA had arrived as an important component of the Washington foreign policy establishment—one that was soon exercising its new authority to run operations in Europe. The Agency had its critics—such as 1948 Republican presidential candidate Thomas Dewey, who attacked the CIA for not warning of unrest in Colombia before Secretary of State Marshall attended the April 1948 Bogota conference of the Organization of American States. The CIA, however, also had strong defenders in Congress and the executive branch. Indeed, informed opinion blamed the State Department, not the Agency, for ignoring CIA’s warning about the potential for riots in Bogota.<sup>35</sup> The White House had not joined in the criticism of Hillenkoetter over the riots; President Truman was getting a steady stream of reports and analyses from CIA on issues ranging from the events in Western Europe to the proposed partition of Palestine.<sup>36</sup> Even before the Bogota incident, the new Special Procedures Branch (later Group) of the Office of Special Operations began operations against the Communists in

<sup>32</sup> Darling, *The Central Intelligence Agency*, pp. 253-262; Karalekas, “History of the Central Intelligence Agency,” pp. 40-41.

<sup>33</sup> National Security Council, NSC 4-A, 17 December 1947, Document 35.

<sup>34</sup> Darling, *The Central Intelligence Agency*, pp. 260-261.

<sup>35</sup> Pforzheimer to Arthur H. Schwartz, 6 May 1948, Document 39.

<sup>36</sup> See, for example, ORE 55, “The Consequences of the Partition of Palestine,” 28 November 1947, Document 33; ORE 47/1, “The Current Situation in Italy,” 16 February 1948, Document 37.

Europe.<sup>37</sup> Although some of these anti-Soviet activities ultimately proved futile, others worked as planned.

OSO's foray into covert action did not last long. While the CIA gained in stature and influence as the Cold War deepened, DCI Hillenkoetter's own standing with the NSC and the other departments declined. Hillenkoetter's slow and cautious use of his mandate to conduct covert action satisfied neither State nor Defense. At State in the spring of 1948 Policy Planning Staff chief George Kennan argued that the US Government needed a capability to conduct "political warfare" (psychological warfare along with direct covert intervention in the political affairs of other nations). Believing this role too important to be left to the CIA alone, Kennan led the State Department's bid to win substantial control over covert operations. State was backed by the military, which advocated an independent, or at least more powerful, psychological warfare office.<sup>38</sup> Hillenkoetter saw what was coming and did his best to resist it, complaining to former DCI Sidney Souers (whom the President had persuaded to return to Washington to serve as NSC Executive Secretary) that CIA was in danger of losing control over psychological warfare.<sup>39</sup>

The DCI's complaints tempered but did not prevent the NSC decision to intrude on CIA's turf in a new directive, NSC 10/2, issued in June 1948 just as the Soviets clamped a blockade on West Berlin.<sup>40</sup> The directive technically expanded CIA's writ while actually infringing upon the Agency's freedom of action. It directed CIA to conduct "covert" rather than merely "psychological" operations to include

propaganda, economic warfare; preventive direct action, including sabotage, anti-sabotage, demolition and evacuation measures; subversion against hostile states, including assistance to underground resistance movements, guerrillas and refugee liberation groups, and support of indigenous anti-Communist elements in threatened countries of the free world.<sup>41</sup>

At the same time, NSC 10/2 decreed that covert action would be run by a new office administratively quartered in CIA but supervised by the State Department and the military. In wartime the entire apparatus would shift to the Joint Chiefs' bailiwick and would conduct unconventional operations against the enemy. The anomalous new unit, called the Office of

<sup>37</sup> The Special Procedures Branch had been established in OSO at the end of 1947 in response to NSC 4-A. For more on OSO's covert action efforts, see Hillenkoetter, Memorandum for the Assistant Director for Special Operations [Galloway], "Additional Functions of the Office of Special Operations," 22 March 1948, Document 38.

<sup>38</sup> Darling, *The Central Intelligence Agency*, pp. 263-268.

<sup>39</sup> Hillenkoetter, Memorandum for the Executive Secretary, "Psychological Operations," 11 May 48, Document 40; Hillenkoetter to J.S. Lay, 9 June 1948, Document 41.

<sup>40</sup> For an early CIA analysis of the Berlin crisis, see ORE 41-48, "Effect of Soviet Restrictions on the US Position in Berlin," 14 June 1948, Document 42.

<sup>41</sup> National Security Council, NSC 10/2, 18 June 48, Document 43.

Policy Coordination (OPC), began life in the summer of 1948 under the directorship of Frank G. Wisner, an OSS veteran who had been serving as deputy to the Assistant Secretary of State for the Occupied Areas.<sup>42</sup>

As Assistant Director for Policy Coordination, Wisner's mission was broad—perhaps too much so. NSC 10/2's phrase "covert operations" covered activities ranging from propaganda to economic sabotage to war planning. The vagueness of this mandate reflected its novelty, for American officials had little experience with such methods and no body of doctrine governing their use in peacetime. OPC never let indecision deter it, however, and quickly threw itself into a wide variety of operations. The affable but intense Wisner established a working relationship with DCI Hillenkoetter, but for operational direction Wisner looked more to George Kennan and the State Department's Policy Planning Staff. This was to be expected, given Wisner's connections at State and Kennan's strong personality and ideas. Kennan and State's representative at OPC, Robert P. Joyce, pushed OPC to undertake large-scale, continuing covert operations even before the Office could establish procedures and hire the required personnel.<sup>43</sup>

With OPC now in the game, the CIA's espionage-oriented Office of Special Operations largely bowed out of covert action, a field it had only recently entered. Yet there was immediate tension between the two offices, which never truly worked as a team. Wisner's well-funded OPC was soon competing with OSO for the services of the same agents and groups in the field and squabbling with it at Headquarters. The sense of competition was heightened by professional and even social distinctions between officers of the two offices. Many OSO officers who had served in OSS and stuck with the intelligence business through lean times in SSU and CIG considered the new OPC hands amateurs and novices. OPC was awash in funds and expanding rapidly, however, and Wisner's new officers were often better paid than their veteran OSO counterparts. Each Office tended to discount the importance of the other's work: OSO people disdained OPC activists as "cowboys"; while many in OPC viewed their mission as more important than the espionage of OSO's plodding case

<sup>42</sup> Darling, *The Central Intelligence Agency*, pp. 262-273; Karalekas, "History of the Central Intelligence Agency," pp. 41-42.

<sup>43</sup> Frank G. Wisner, Memorandum for the Director of Central Intelligence, "OPC Projects," 29 October 1948, Document 47; Hillenkoetter, Memorandum for the Record, 4 August 1948, Document 44; Lawrence R. Houston, Memorandum for the Director, "Responsibility and Control for OPC," 19 October 1948, Document 46. Joyce was a Foreign Service officer who had also served in OSS in the war, and in OSO until 1947.

officers. The OSO-OPC rivalry soon prompted CIA officials to consider a merger.<sup>44</sup>

The disconnect between OPC and OSO was only one manifestation of the CIA's internal disorganization under DCI Hillenkoetter—a situation that an NSC study group report made painfully obvious in early 1949. Secretary of Defense Forrestal had selected three New York lawyers—Allen Dulles, William Jackson, and Matthias Correa, all of whom had intelligence experience—to survey the Agency and report to the NSC on its workings. Their survey was hardly disinterested. Allen Dulles, the panel's chairman, was a Republican supporter of Thomas Dewey's 1948 presidential bid who believed that CIA should be headed by a civilian.<sup>45</sup> Indeed, Dulles was one of many OSS veterans who believed along with General Donovan that the nation had to have a peacetime secret service that looked a lot like OSS. By late 1948 the CIA had gradually acquired the powers and responsibilities wielded by OSS in World War II, and now Dulles apparently believed that CIA, having become a new OSS, had to be cured of some of the problems that had affected its predecessor. To no one's surprise, the Dulles-Jackson-Correa survey criticized Admiral Hillenkoetter and recommended sweeping reforms. OPC and OSO should be merged. The DCI should wield more authority to coordinate intelligence, as General Vandenberg had proposed. The Office of Reports and Estimates (ORE), which had focused on briefing the President and only informally coordinated its analysis with other departments, should be divided into a current intelligence section and a small staff of experts to write truly national intelligence estimates. The NSC adopted these recommendations almost *in toto* in a new directive, NSC 50, given to DCI Hillenkoetter in July 1949.<sup>46</sup>

Confronted by such criticism and the daunting task of implementing the reforms required by NSC 50, Hillenkoetter temporized while waiting for the White House to appoint his successor. President Truman, however, postponed this step for a year. Hillenkoetter had done nothing egregiously wrong, and he had kept open the CIA's lines to the Oval Office and the NSC. The real problem, however, was finding Hillenkoetter's replacement. According to Sidney Souers, the President was loath to appoint anyone recommended by his new Secretary of Defense, Louis Johnson,

<sup>44</sup> Wisner, Memorandum for the Director of Central Intelligence, "Observations upon the report of the Dulles-Jackson-Correa report to the National Security Council," 14 February 1949, Document 49; C. Offie to ADPC, "Conversation with Messrs. [ ]—15, 16 April 1950," 24 April 1950, Document 59; Lyman B. Kirkpatrick, Memorandum for the Deputy Director of Central Intelligence, "Problems of OSO," 8 June 1951, Document 68.

<sup>45</sup> Montague, *General Walter Bedell Smith as Director of Central Intelligence*, p. 42.

<sup>46</sup> National Security Council, NSC 50, 1 July 1949, Document 54; Hillenkoetter, Memorandum for CIA Assistant Directors, "Approval by the NSC of Much of the Dulles Report," 12 July 1949, Document 55.

whom he despised. At the same time, the recently appointed Secretary of State, Dean Acheson, felt it inappropriate to offer any names of his own without a specific request from the White House.<sup>47</sup> Meanwhile, the Agency continued to drift. Only Frank Wisner's energetic but loosely organized OPC was laying ambitious plans at this point; the Office was fairly brimming with ideas for exploiting the Tito-Stalin dispute and using "counterpart" funds from the Marshall Plan to strengthen leftwing but anti-Communist leaders and intellectuals in Western Europe.<sup>48</sup>

Events in Asia soon forced the CIA to reform. By the end of 1949 China had fallen to the Communists and Stalin had his own atomic bomb.<sup>49</sup> In April 1950 the National Security Council issued NSC 68, which reexamined America's strategic objectives in the dim light of the Cold War and painted the global battle between freedom and tyranny in apocalyptic terms:

The assault on free institutions is world-wide now, and in the context of the present polarization of power a defeat of free institutions anywhere is a defeat everywhere.

Frustrating the Kremlin's designs meant shifting from the defensive to "a vigorous political offensive against the Soviet Union."<sup>50</sup> NSC 68 spurred OPC to new efforts as soon as the draft directive was circulated in April 1950.<sup>51</sup> It nevertheless took Communist North Korea's invasion of its southern neighbor in June 1950 to energize Washington, prompt widespread assent to NSC 68, and provoke major changes at CIA. With America again at war and the threat of a wider, perhaps worldwide, conflict apparently looming, OPC's budget expanded dramatically and its focus shifted from essentially defensive psychological operations to active economic, political, and even military actions. CIA's failure to provide better warning of the Korean invasion made it impossible for the White House to delay Admiral Hillenkoetter's replacement any

<sup>47</sup> According to Admiral Souers, in the President's 1948 campaign someone had promised Louis Johnson his choice of Cabinet posts in return for taking the apparently thankless post of campaign finance chairman. Appalled by this deal, Truman nonetheless felt bound by it when Johnson insisted on becoming Secretary of Defense in the place of the ailing James Forrestal. Montague, *General Walter Bedell Smith as Director of Central Intelligence*, pp. 47, 53-54; Henhoeffer and Hanrahan, "Notes on the Early DCIs," p. 32.

<sup>48</sup> See, for example, Finance Division to Executive, OPC [Wisner], "CIA Responsibility and Accountability for ECA Counterpart Funds Expended by OPC," 17 October 1949, Document 57.

<sup>49</sup> ORE 29-49, "Prospects for Soviet Control of a Communist China," 15 April 1949, Document 52; ORE 32-50, "The Effect of the Soviet Possession of Atomic Bombs on the Security of the US," 9 June 1950, Document 60.

<sup>50</sup> National Security Council, NSC 68, 14 April 1950, *Foreign Relations of the United States*, 1950, I: 240, 263, 282. George Kennan's successor at State as Director for Policy Planning, Paul Nitze, was the principal drafter of NSC 68.

<sup>51</sup> C. V. H. [Charles V. Hulick] Memorandum for the Record, "Policy Guidance," 19 April 1950, Document 58.

longer.<sup>52</sup> Even before the invasion, President Truman had decided—apparently on the advice of his aide Averell Harriman—that Lt. Gen. Walter Bedell Smith, US Army, would be the next Director of Central Intelligence. Smith did not want the job at first, but after war broke out he finally accepted the appointment. Confirmed by the Senate in late August, his prolonged convalescence from surgery prevented him from taking office until October.<sup>53</sup>

Although Smith had little experience in intelligence, he had been well briefed and arrived at CIA with the determination and mandate to reshape the organization and make it work as a team. He had been General Eisenhower's chief of staff during the war and had afterward succeeded Averell Harriman as Ambassador to Moscow, spending three years in Russia observing the Soviets at close hand. Taking NSC 50 as his blueprint, Smith brought William Jackson aboard as Deputy Director of Central Intelligence to carry out almost all of the NSC's recommendations.<sup>54</sup> Small in stature but possessed of a keen intellect and a sharp tongue (his temper was only worsened by lingering side effects of his recent operation), Smith ruled the Agency with an iron hand, impatiently hazing even his most senior lieutenants but inspiring a strong sense of loyalty and drive in virtually everyone who worked with him.

One of Smith's first steps was to break up the drifting Office of Reports and Estimates into three new offices, one for estimates, one for current intelligence, the last for reports.<sup>55</sup> His new Office of National Estimates (ONE) was a small group of scholars and senior officials exempted from potentially distracting administrative duties and directed to concentrate on writing estimates that could win governmentwide assent. The new DCI also transformed the ORE reporting section into the more efficient Office of Current Intelligence, which soon began publishing a new *Current Intelligence Bulletin* in the place of the old *Daily Summary*. The remainder of ORE became the Office of Research and Reports (ORR).

<sup>52</sup> CIA did not provide adequate tactical warning of the North Korean attack in 1950, although in early 1949 it had predicted that the planned "withdrawal of US forces from Korea in the spring of 1949 would probably in time be followed by an invasion"; see ORE 3-49, "Consequences of US Troop Withdrawal From Korea in Spring, 1949," 28 February 1949, Document 51.

<sup>53</sup> Smith had suffered for years from ulcers, and his doctors finally resolved the condition by removing much of his stomach in the summer of 1950. Montague, *General Walter Bedell Smith as Director of Central Intelligence*, pp. 55-56.

<sup>54</sup> Smith initially did not want to merge OSO and OPC, according to Ludwell Montague; *General Walter Bedell Smith as Director of Central Intelligence*, p. 219. For an example of the briefing papers seen by the general, see Houston to Walter B. Smith, 29 August 1950, Document 63.

<sup>55</sup> ORE had always had trouble winning cooperation from other offices and agencies. See, for example, Ludwell L. Montague to Vandenberg, "Procurement of Key Personnel for ORE," 24 September 1946, Document 19; Chief, D/Pub [R. Jack Smith] to AD/ORE [Theodore Babbitt], "Contents of the Daily Summary," 21 September 1950, Document 62.

At Smith's direction, Frank Wisner informed the Departments of State and Defense that OPC would henceforth be subject to the DCI as a regular office of the CIA.<sup>56</sup> This step, combined with a "geographic-area division" system of organization and a more exacting process for reviewing proposed operations—both of which had been instituted in the summer of 1950—allowed Wisner to ensure that OPC's rapid expansion over the next two years never got completely out of hand.

Allen Dulles joined the Agency in early 1951 as its first Deputy Director for Plans, charged with supervising OSO and OPC. With Dulles aboard, the idea of merging the two offices steadily gained ground, despite the qualms of DCI Smith and some officers in OSO.<sup>57</sup>

The war in Asia created an enormous demand for analysis and new covert operations.<sup>58</sup> In response, CIA's budget and work force grew almost exponentially, to the point that Agency and Congressional officials were forced to find new ways to hide allocations for the Agency in published reports on the budget.<sup>59</sup> The new covert operations themselves were becoming more sophisticated and daring: some even used American voluntary organizations such as the National Student Association as (sometimes unwitting) agents of influence with foreign anti-Communist leaders and groups.<sup>60</sup>

In just three years, covert action had become the most expensive and bureaucratically prominent of CIA's missions.<sup>61</sup> The growing predominance of the covert action mission even began to affect the Agency's intelligence product. For example, Frank Wisner's Special Assistant for Latin America, J. C. King, bypassed the Office of Current Intelligence and the Office of National Estimates to send to the White House his own

<sup>56</sup> Wisner, Memorandum for Director of Central Intelligence, "Interpretation of NSC 10/2 and Related Matters," 12 October 1950, Document 64.

<sup>57</sup> Smith wanted to maintain a clear distinction between clandestine collection and covert action, according to Montague, and also hoped the Joint Chiefs of Staff would take over OPC's large guerrilla operations in East Asia. Dulles, on the other hand, was joined in his advocacy of an OSO-OPC merger by ADPC Frank Wisner and ADSO Willard Wyman, although more than a few OSO officers looked on OPC as an upstart and did not want to merge with it. Montague; *General Walter Bedell Smith as Director of Central Intelligence*, pp. 219-226.

<sup>58</sup> For examples of CIA analysis of the Korean war, see Smith, Memorandum for the President, 12 October 1950, Document 65; NIE 12, "Consequences of the Early Employment of Chinese Nationalist Forces in Korea," December 1950, Document 66.

<sup>59</sup> Pforzheimer, Memorandum for the Record, "CIA Appropriations," 25 October 1951, Document 74.

<sup>60</sup> Milton W. Buffington to CSP [Lewis S. Thompson], "United States National Student Association," 17 February 1951, Document 67; Wisner to Deputy Assistant Director for Policy Coordination, "Reported Crisis in the American Committee for Cultural Freedom," 7 April 1952, Document 77.

<sup>61</sup> Much of the Agency's growth took place in OPC. In 1949 the Office had 302 people and a budget of approximately \$4.7 million. In 1952 it employed 2,812 (plus 3,142 overseas contract personnel) and its budget was \$82 million. Karalekas, "History of the Central Intelligence Agency," p. 43.

estimate of the deteriorating situation in Guatemala.<sup>62</sup> DCI Smith complained more than once that covert action, particularly in support of the Korean war effort, was distracting the Agency from the gathering and analysis of intelligence; at one staff meeting he caustically wondered aloud whether CIA would continue as an intelligence agency or become the administration's "cold war department."<sup>63</sup> He asked the NSC for a ruling on the proper "scope and magnitude" of CIA operations, and in October 1951 the Council responded with NSC 10/5, which endorsed the Agency's anti-Communist campaign and further expanded its authority over guerrilla operations. Smith reluctantly went along with NSC 10/5 and the proposed merger of OPC and OSO, which took place 1 August 1952.<sup>64</sup> Indeed, under DCI Smith the major functions of the Agency were consolidated in three directorates: plans, intelligence, and administration. These three directorates, along with a fourth created in the 1960s, today are the main pillars of the Agency's institutional structure.<sup>65</sup>

The military and diplomatic quagmire in Korea had its effects on the Truman administration as well as on CIA. After Truman sacked Gen. Douglas MacArthur in April 1951, the Korean frontline stabilized and both sides dug in for a static war of attrition. To the end of his administration, there was almost no good news from Korea for the President. Truman's popularity sagged as casualties mounted, the peace talks dragged on, and Republican Senator Joseph McCarthy savaged the administration for being soft on Communism. Truman more than once considered using atomic bombs to break the Korean stalemate.<sup>66</sup> DCI Smith felt some of the weight on Truman's shoulders when he briefed the President on Friday mornings. The President usually wanted to talk about Korea, using the general's comments on the course of the fighting to assess the advice he received from the Pentagon. Smith prepared carefully for these meetings, keeping abreast of CIA activities but working even harder to make his battle maps more precise than JCS Chairman Omar Bradley's.<sup>67</sup>

By the time the Truman administration (and DCI Smith) prepared to leave office in late 1952, the CIA was a very different institution from what it had been only a few years earlier. The world itself was changing.

<sup>62</sup> Earman, Memorandum for Rear Admiral Robert L. Dennison, "Estimate of Situation in Guatemala," 14 January 1952, Document 76.

<sup>63</sup> DCI staff meeting minutes, 22 October 1951 (Document 72) and 27 October 1952 (Document 80).

<sup>64</sup> National Security Council, NSC 10/5, 23 October 1951, Document 73; Smith to CIA Deputy Directors, "Organization of CIA Clandestine Services," 15 July 1952, Document 79.

<sup>65</sup> In 1973 the Directorate of Plans was renamed the Directorate of Operations. The Directorate of Administration was known as the Directorate of Support from 1955 to 1973, and as the Directorate of Management and Services (1973-74). The fourth directorate—Science and Technology—was created in 1962 (although for its first year it was called the Directorate of Research).

<sup>66</sup> David McCullough, *Truman* (New York: Simon & Schuster, 1992), pp. 872-873.

<sup>67</sup> Montague, *General Walter Bedell Smith as Director of Central Intelligence*, pp. 232-233.



Reinvigorated by the Marshall Plan and American security guarantees, Western Europe appeared much less vulnerable to internal subversion.<sup>68</sup> Joseph Stalin was dying. The Cold War itself had reached its first pause, as the stalemate in Korea dragged on and the Soviets pondered how they could exploit the rising calls for national liberation among the West's aging colonial empires.<sup>69</sup> The CIA's own focus, especially in the field of covert action, was already shifting to the Third World as well.

When President Truman came to the Agency to say farewell and thanks in late November 1952, he told the assembled CIA men and women that the United States now had an intelligence agency that was "not inferior to any in the world." The CIA was vital to the presidency, Truman declared, because America had been forced to take up the burden of world leadership that it should have assumed after the First World War:

We are at the top, and the leader of the free world—something that we did not anticipate, something that we did not want, but something that has been forced on us . . . It is our duty, under Heaven, to continue that leadership in the manner that will prevent a third world war—which would mean the end of civilization.

President Truman explained that President-elect Dwight D. Eisenhower would soon be making decisions daily that would affect millions of people. As he assumed the most powerful office in the history of the world, he would need the stream of intelligence that the Central Intelligence Agency sent daily to the President's desk.<sup>70</sup>

With President Eisenhower's inauguration in January 1953, the CIA entered a new phase. Now the Agency would have its first civilian Director—Allen Dulles, who had unprecedented access to the White House and to the Secretary of State, his brother John Foster Dulles. As the Agency focused on Communism as the main disruptive element in world affairs, anti-Communist covert action attained an importance among the CIA's missions that it would not again approach until the 1980s. Dulles's long tenure of almost nine years as Director had its own, far-reaching effects on CIA, but the decisions reached during the Truman administration and the changes imposed by DCI Smith circumscribed the scope of later directors' actions. It is worth understanding that experience as CIA, in a new postwar period, faces hard choices on many of the issues that were first debated and decided in the Truman administration more than 40 years ago.

<sup>68</sup> For a CIA view of Western Europe, see DCI staff meeting minutes, 21 November 1951, Document 75. Also see Special Estimate 13, "Probable Developments in the World Situation Through Mid-1953," 24 September 1951, Document 71.

<sup>69</sup> Special Estimate 9, "Probable Immediate Developments in the Far East Following a Failure in the Cease-Fire Negotiations in Korea," August 1951, Document 70.

<sup>70</sup> See President Truman's farewell speech to CIA, 21 November 1952, Document 81.