

# Spy Capitalism: Itek and the CIA

By Johnathan E. Lewis. New Haven, CT: Yale University Press. 329 pages.

**Reviewed by David S. Robarge**

---

Once the subject of some of the Intelligence Community's most closely held secrets, satellite reconnaissance has entered the mainstream as a topic of scholarly publishing. Since 1995, the CIA and the National Reconnaissance Office (NRO) have declassified thousands of pages of documents about the design, production, and management of the CORONA, ARGON, and LANYARD programs, revealing in great detail the deployment of satellites to photograph strategic and tactical targets in denied areas. These formerly "black" programs have now been discussed extensively in written works and public forums. Together, the sources show how vital US spy satellites were in dispelling Cold War fears of surprise attack, watching "hot spots" that could provoke superpower conflict, and monitoring arms control efforts.

To this expanding bibliography may now be added Jonathan Lewis's study of an often-overlooked player in the story: the technical contractor. In *Spy Capitalism: Itek and the CIA*, Lewis explores the partnership of government, business, and academia in producing the technical systems that allowed the United States to answer the overarching questions of the early Cold War: What strategic weapons did the Soviet Union have, and was it planning to use them?

From 1957 to 1965, Itek manufactured the world's most sophisticated satellite reconnaissance cameras. By taking us inside the company's executive suite, Lewis enables us to watch what he calls "the intelligence-industrial complex" from "the crossroad where business and espionage

intersect” and observe how private financial and commercial resources were mobilized both for personal and corporate gain and for the protection of the nation’s security.<sup>1</sup> The book also serves as a case study of the perils and pitfalls that technology start-up companies encounter when competing against established industry giants. Itek executives grappled with all the problems that any new company faces, compounded by the need to raise capital without fully revealing what the company was making.

Lewis comes to the subject with an ideal background. He collaborated on former Deputy Director for Plans Richard Bissell’s posthumous memoir, and so is knowledgeable of that luminary’s enormous contribution to CIA reconnaissance programs. A portfolio manager at an investment bank, Lewis also understands the complexities of corporate finance and lucidly explains the sometimes convoluted investment mechanisms that kept Itek afloat. He has researched the Itek saga thoroughly, drawing on company records, interviews, and declassified CIA and NRO materials, in addition to the secondary literature. *Spy Capitalism* is more than a disembodied corporate history, however, largely because Lewis avoids dry recitations of balance sheets and production flow charts, and lets personalities drive much of the narrative. He writes in clear, although occasionally choppy, prose that is free from business jargon, and he tells just enough about the technical features of the cameras to enable the lay reader to marvel at the ingenuity of Itek’s engineers.

Itek was founded in 1957 with seed money from Laurance Rockefeller, that famous family’s most adventurous venture capitalist. The company’s name was a phonetic contraction of “information technology,” the sector of the economy that prescient analysts and investors foresaw as America’s future. Itek benefited enormously from their optimism. In just three months, its payroll burgeoned from a handful of executives to over a hundred scientists, engineers, and technicians. After only a year, its revenues and profits soared into the millions. It went public after less than two years in operation, and within 18 months of the initial offering, the price of a share of its stock shot up from \$2 to over \$200. “Itek was one of the great glamour stocks on Wall Street,” Lewis writes. “At its peak, Itek’s fame rivaled the notoriety, and the price-to-earnings ratio, of the top Internet stocks of the great NASDAQ bubble of the late 1990s.”<sup>2</sup>

Throughout this meteoric rise, readers of Itek’s annual reports could not have known— because the company could not tell them—that its survival depended on a single customer, the CIA. By 1963, Itek’s classified

operations produced 57 percent of the firm's sales and accounted for 75 percent of its pre-tax income. What Itek shareholders and potential investors could not know was that if the CORONA program failed or another spy satellite program promised superior results, Itek probably would collapse. What they *did* know was that by the early 1960s the company was in sorry financial shape, suffering from a succession of well-meaning but ill-considered boardroom blunders by its president, Richard Leghorn. Trying to free Itek from dependence on secret government funds, Leghorn left it more beholden to the CIA than ever. But, Lewis notes, Itek and the CIA were "like partners trapped in a failed marriage. Although they may have been bitter and resentful toward each other, they were stuck in the relationship— CORONA made sure of that." <sup>3</sup>

The CORONA program proved its worth, but Itek's long-term health remained uncertain. Leghorn (with, it should be added, the consent of his compliant board of directors) allocated barely a quarter of Itek's R&D funds to the division that worked on secret reconnaissance. Instead, he poured money into developing commercial products that were marketed through shaky companies that he acquired. By early 1962, Leghorn clearly had failed at the difficult task of balancing Itek's lucrative "black" projects with overt corporate acquisitions and commercial sales that provided cover but usually lost money.

Investors knew that something secret was going on behind Itek's walls, but they had to take on faith the pronouncements that all was well within. Over time, that secrecy became double-edged. At first, it attracted investors, who figured that if the company could not say exactly what it was doing, the work had to be so important that it was sure to make money. "[I]f the business was growing fast, classified, and backed by a Rockefeller, it was a smart investment," Lewis writes. But when Itek faced a succession of technical, financial, and managerial problems in the early 1960s, that same mystique enabled Leghorn and the directors to hide poor decisions and bad news, and shielded them from the unpleasant questions of shareholders and the public:

*Leghorn could charm the financial press and the markets with his talk of an information revolution when Itek's revenues and profits were steadily rising . . . [but] it was a strategy that failed to hold together under the competitive pressures of the marketplace. Leghorn's dream about an information revolution was prophetic, but impossible to achieve with the technologies available in his time. The companies he cobbled together were a flammable mixture of patents, possibilities, and products still in development. The marketplace demanded products that could be sold, not dreams.*<sup>4</sup>

By this time, far more was at stake than the health of investors' portfolios, or even several hundred jobs. Itek's survival had become intertwined with the nation's security. "Any further deterioration of the company," Lewis writes, ". . . would probably destabilize it completely. [Then] Itek's custom-made spy cameras would cease to roll off the assembly lines, and America's eyes in space would go blind." The author notes that "At a time when the war of words between President Kennedy and Soviet Premier Khrushchev was raising the stakes in the Cold War, when the United States needed intelligence on Soviet military capabilities more than ever, this was an unacceptable outcome."<sup>5</sup>

New management, led by former OSS commando Frank Lindsay, got Itek past this troubled phase, but the firm soon got caught in the middle of a battle royal between the CIA, the NRO, and elements of the Air Force over which agency would control satellite reconnaissance. In early 1965, Lindsay stunned CIA managers by suddenly announcing that Itek was withdrawing from its Agency contract. He claimed that the post-CORONA camera design that the CIA insisted on would not work, and that Itek would get blamed when it failed. Director of Central Intelligence John McCone and Deputy Director for Science and Technology "Bud" Wheelon suspected, however, that the Agency's rivals at the NRO and the Air Force had offered Itek a lucrative deal if it stopped working with the CIA. With so much of Itek's income deriving from Agency work, they believed, the company could not have backed out unless it had guarantees of other contracts. No definitive evidence to support that allegation has surfaced, and the fact that the pullout damaged Itek irreparably suggests that McCone, *et. al.*, were wrong. Whatever the truth may be, Lewis relies too much on NRO and Itek information and does not include enough material from CIA sources to give a full account.

After this episode, Itek kept building CORONA cameras until the program ended in 1972, but it never won an Agency contract for any follow-on systems. Ultimately, its technical judgment in 1964-1965 proved wrong—a rival firm, Perkin-Elmer, built the post-CORONA camera that the CIA wanted, and it worked superbly.

Itek enjoyed a brief resurgence in 1966-1967. It made some gadgets for the space program and its stock climbed back to \$172 a share. But then it fell into a steady decline. Ironically, soon after the signing of the first Strategic Arms Limitation Treaty in 1972, the company had to fire many of the scientists and engineers whose work had made monitoring the agreement

d engin oring th g  
possible. By the mid-1970s, Itek stock traded for just \$7 a share. Litton Industries bought the firm at a bargain price in the early 1980s, ending its life as an independent company.

Lewis correctly concludes that Itek deserves a more upbeat bottom line than its end suggests—afterall, he points out, “Itek delivered its cameras, and America was safer.”<sup>6</sup> Despite the company’s ruination, progress in US satellite reconnaissance continued steadily, providing American leaders with what many have regarded as the most persuasive form of intelligence. Notwithstanding deception and denial, pictures from space provide special clarity for decisionmakers in today’s information-overloaded world.

**David S. Robarge** serves on the CIA History Staff.

1. *Spy Capitalism*, p. 6.

2. *Ibid.*, p. 5.

3. *Ibid.*, p. 258.

4. *Ibid.*, pp. 135, 269-270.

5. *Ibid.*, p. 207.

6. *Ibid.*, p. 5

---

The views, opinions and findings of the author expressed in this article should not be construed as asserting or implying US government endorsement of its factual statements and interpretations or representing the official positions of any component of the United States government.