Covert Action and Cover Stories

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Slides: `mattmalis.github.io/slides`

Risks that governments face when pursuing illegal/unethical covert interventions abroad:

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- **circumstantial evidence**

Frank Wisner, Deputy Director of Plans at CIA, April 1954:

"There is not the slightest doubt that if the operation is carried through many Latin Americans will see in it the hand of the U.S. . . . [Even without U.S. intervention,] there is good reason to believe that some one of the other potential sponsors will in all probability press for the revolution **which under such circumstances . . . would be laid at our door anyhow**.*"*

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- ▸ Leaders simultaneously pursue
  - ▸ unethical (but effective) covert action
  - ▸ legal (but ineffective) public action
- ▸ Audience attributes policy success to the public action
  - ▸ rather than inferring an unobserved covert action

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Formal model + Case study of US intervention in Guatemala 1954

Model: Running Example

Eisenhower vs. Castro, 1960

- ▸ Public actions:
    - ▸ oil embargo
    - ▸ slashing sugar quota
    - ▸ severing diplomatic relations
- ▸ Covert actions:
    - ▸ training and equipping exiles
    - ▸ assassination attempts

Model: Overview

Two players: Leader L, and Audience A

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Sequence:

- L sets policy
- policy outcome realized
- covert revelation realized
- A punishes or rewards L

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   - covert/clandestine actions taken
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2. Leaders' true prefs vary
   - *scrupulous* or *unscrupulous*

3. Leader accountability to audience
   - domestic or international

Model: Policy technology

L has two policy levers, *public* and *covert*

- $a_j \in \{0, 1\}$ for $j = p, c$
    - can play either, both, or neither
- A observes a_p, not a_c
- L privately knows whether each is feasible, $\omega_j \in \{0, 1\}$

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Policy success, $y \in \{0, 1\}$:

$$Pr(y = 1 | \omega, a) = \begin{cases} \alpha_p, & a_p \omega_p = 1 \\ \alpha_c, & a_c \omega_c = 1 \\ \alpha_0, & a_c \omega_c = 0 \,\&\, a_p \omega_p = 0 \end{cases}$$

- α_j: effectiveness of policy j
- α_0: Pr(success) due to random luck / exogenous factors

Model: Revelation technology

Covert action revelation, $z \in \{0, 1\}$:

$$Pr(z = 1|a) = \begin{cases} 0, & a_c = 0 \\ \lambda, & a_c = 1 \,\&\, a_p = 0 \\ \lambda + \delta, & a_c = 1 \,\&\, a_p = 1 \end{cases}$$

- λ: baseline risk of exposure
- δ: increase in risk, due to public attention

Model: Payoffs

$$U_L(a) = y - a_p k_p - a_c k_c^\theta + r\beta$$

- k_j: direct cost of policy j
  - $k_c^{unscrupulous} << k_c^{scrupulous}$
- β: reputational benefit for being rewarded ($r = 1$) by A

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Incentives:

- A: reward if belief of $\Pr(L$ ethical$)$ high, punish otw:

$$U_A = r\mathbb{1}[\theta = scrupulous] + (1 - r)\bar{\mu}$$

- scrupulous L:
    - achieve policy objective ($y = 1$), using public action (a_p) alone
- unscrupulous L:
    - achieve $y = 1$, through any means necessary
    - while maintaining A's belief that he is scrupulous

Model Setup: Recap

- L observes state $\omega = (\omega_p, \omega_c) \in \{0,1\}^2$
- L sets policy $a = (a_p, a_c) \in \{0,1\}^2$
- policy outcome, $Pr(y=1) = \max\{\alpha_p a_p \omega_p,\ \alpha_c a_c \omega_c,\ \alpha_0\}$
- covert revelation, $Pr(z=1) = a_c(\lambda + a_p \delta)$
- A punishes $L \iff \mu^h = Pr(\textit{scrupulous}|h) < \bar{\mu}$

Model: Results

		Covert action feasibility	
		$\omega_c = 1$	$\omega_c = 0$
Public action	$\omega_p = 1$	public action only	
feasbility	$\omega_p = 0$	**dilemma**	no action

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Our focus:

- when public action infeasible, but covert action feasible $(\omega_p = 0, \omega_c = 1)$:
  - scrupulous leader does nothing
  - unscrupulous leader: see next

Model: Results

Cover-up mechanism:

- When a_c feasible but a_p is not ($\omega_c = 1, \omega_p = 0$):
- Take both a_c and a_p
  - hoping that a_c achieves objective
  - but A attributes outcome to a_p

Model: Results

Cover-up mechanism:

- ▸ When a_c feasible but a_p is not ($\omega_c = 1, \omega_p = 0$):
- ▸ Take both a_c and a_p
    - ▸ hoping that a_c achieves objective
    - ▸ but A attributes outcome to a_p
- ▸ Even though:
    - ▸ a_p carries direct cost (k_p)
    - ▸ and increases risk of direct exposure ($\lambda + \delta$)

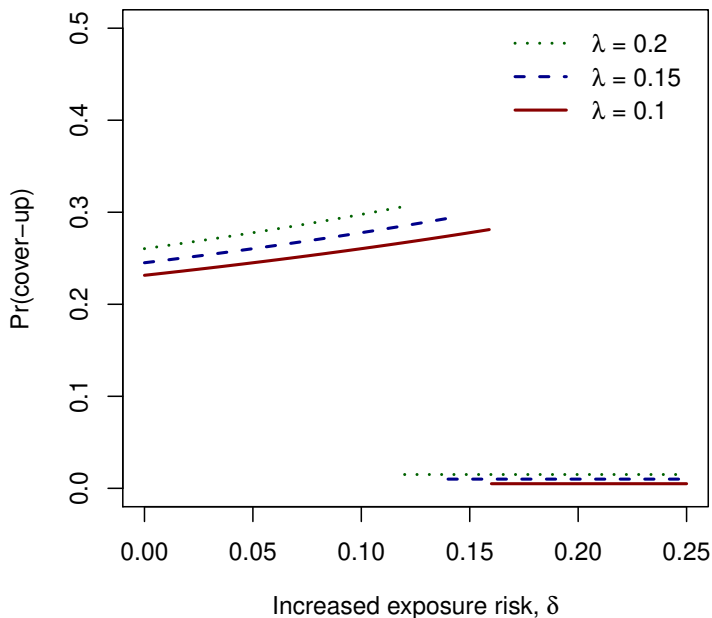# Unscrupulous leader's strategy when $\omega_c = 1, \omega_p = 0$
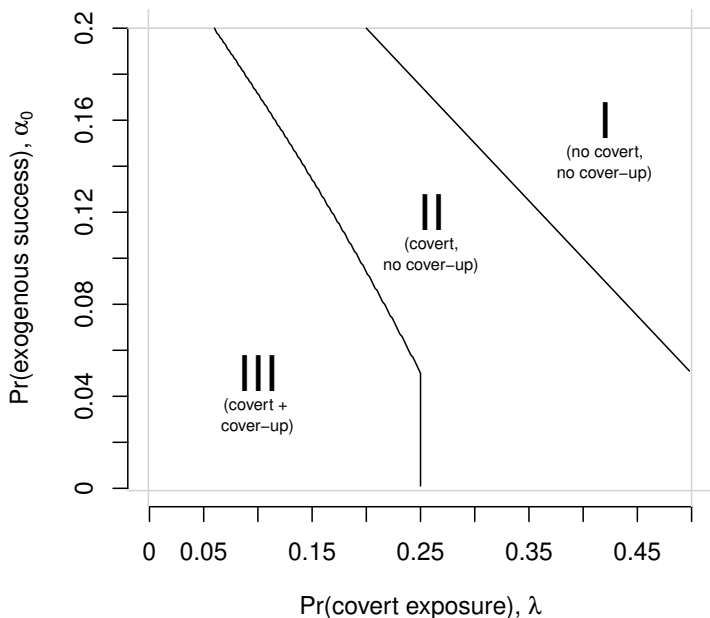
Cover Stories and Audience Beliefs

Without cover stories (in region III):

- $\mu^{a_p=1} > \bar{\mu}$
    - no punishment after public action

- $\mu^{a_p=0,y=1} < \bar{\mu}$
    - punish after success w/o public action

Cover story $\implies \mu^{a_p=0,y=1} \uparrow, \mu^{a_p=1} \downarrow$

Increased cover-up behavior despite increased exposure risk

Case Study

Operation PBSUCCESS (June 1954):

- ▸ US intervention to overthrow Guatemalan president Arbenz

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    - diplomatic campaign through OAS
- Our argument:
    - Public actions served as a cover story for the covert actions

Alternative Explanation: Exhausting All Options?

- No operational advantage to stirring up domestic outrage

- "hard hitting speeches against Guatemala by personages in the United States Government could be counter-productive and would particularly alienate those non-Communists whose actions are influenced by nationalist emotions"

Concern for Inferences from Circumstantial Evidence

Frank Wisner, Deputy Director of Plans at CIA, April 1954:

- " documentary evidence may not be necessary to establish the intervention case against the United States . . . **a strong circumstantial case could be as effective as actual evidentiary material.**"

- " It is fair to assume that no irrefutable evidence tying the project to the U.S. Government is in the hands of the enemy . . . [However,] there is not the slightest doubt that if the operation is carried through **many Latin Americans will see in it the hand of the U.S.**"

Cover Up: Ex Ante

Diplomat at U.S. Embassy Guatemala City (probably CIA), recounting conversation with (classified) Guatemalan counterpart:

> ...**had made our concern with Communism in Guatemala abundantly clear in recent speeches**; and we were now seeking means to combat Communism on a hemispheric basis through cooperation with other Latin American nations at the forthcoming Caracas Conference....
>
> In talking in this vein to [classified] **it was my intention to give him the impression that the US had no concrete plan for intervention** in the domestic affairs of Guatemala and continued its non-intervention policy.

Cover Up: Ex Ante

Eisenhower instructions to U.S. diplomats:

> "By every **proper and effective means** *we should demonstrate to the courageous elements within Guatemala who are trying to purge their government of its communist elements that they have the sympathy and support of...the U.S."*

Cover Up: Ex Post

NSC report, later released to the press:

> "**The Organization of American States was used as a means of achieving our objectives in the case of communist intervention in Guatemala**. *After the arrival from Poland on May 15 in Guatemala of a substantial shipment of arms, the United States initiated consultations with all Latin American Governments, except Guatemala. Following these consultations, the Council of the Organization of American States voted almost unanimously... to convoke a Meeting of Ministers of Foreign Affairs...*

Summary

PBSUCCESS:

- used public action that was ineffective, costly, and drew attention to US interest in Arbenz overthrow
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Other cases?

- Trump immigration policy?
    - border wall, + family separation, "safe third country" agreement w/ Guatemala

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Implications:
- ▸ Absence of evidence $\neq$ evidence of absence
- ▸ Audiences are clever
- ▸ Policymakers adapt

Thank you

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