

# Introducing Firm Instrumentalization: The Use of Multinational Corporations in Covert Security Operations

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## Abstract

This research introduces the concept of firm instrumentalization—the covert repurposing of multinational corporations (MNCs) by states for foreign security policy. While existing scholarship often depicts MNCs as independent actors with substantial influence, this research demonstrates that firms have repeatedly engaged in covert arrangements in pursuit of state security objectives, despite significant profit risks. The primary argument is that the regime type of the instrumentalizing state influences the ease, mechanisms, and likely success of conducting firm instrumentalization. While it is often easier for authoritarian regimes to co-opt firms due to the many stick and carrot institutional levers at their disposal, firms based in these locations are often treated with more suspicion. In contrast, liberal market regimes lack many of these coercive levers, as firms in these contexts operate with a high degree of institutional independence. I argue that in such least-likely environs, the state turns to personal ties between intelligence elites and firm leaders to facilitate successful instrumentalization. The theory is supported by quantitative analysis using an original dataset of US news firms between 1950-1970 and qualitative analysis of China's instrumentalization of firms in Taiwan. The study sheds light on a pressing geopolitical concern, tests patterns in its cross-national use, and proposes new criteria for assessing national security risks in global trade.

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# 1 Introduction

On August 2, 1990, as Saddam Hussein’s tanks surged toward Kuwait City, British Airways Flight 149 prepared for what should have been a routine departure from Heathrow. Moments before takeoff, a conspicuous group of men quietly boarded and took their seats at the rear of the aircraft (Davis, 2021). Within hours, BA 149 landed in Kuwait City, just as it was falling under Iraqi control. The group of men—a British black-ops team—quietly escaped, while the rest of the passengers were taken hostage by Iraqi forces. It took months for these hostages to be freed and years longer for them to learn, through the testimony of these men and their superiors, that British Airways had been explicitly asked to land the plane as part of a British intelligence-gathering mission (Davis, 2021; UK Parliament, 2007).<sup>1</sup> The operatives claimed using a plane filled with civilians was “the only manner [the mission] could be done” and confirmed it had been authorized by Prime Minister Margaret Thatcher herself—made possible by a ‘cozy relationship’ between Downing Street and British Airways Chairman John King Davis (2021).<sup>2</sup> British Airways treated the incident as an unfortunate accident, insisting the pilots had not been warned of the danger upon arrival. In reality, the Prime Minister had requested that a commercial, civilian flight become an instrument of foreign security policy. The willingness of a prominent multinational corporation like British Airways to undertake real reputational risks at the behest of the British government’s state security objectives, reflects a broader empirical puzzle not well explained by existing international relations scholarship.

Scholars typically view multinational corporations (MNCs) as entities that exert considerable influence in domestic politics and often leverage state power to advance their global interests (Strange et al., 1996; Keohane and Nye, 2001; Gartzke, 2007; McDonald, 2009). Consider the attention given to the case of The United Fruit Company, the powerful American multinational firm that strong-armed the US government into securing its commercial interests in Guatemala, leading to the CIA-backed coup of 1954 (Schlesinger and Kinzer, 1999). The British Airways incident effectively turns this classic case on its head, showing states engaging some of the largest firms in the world in pursuit of their own security interests. Furthermore, against the wider backdrop of scholarship illustrating MNC power, the revelation that states can compel even the most formidable firms to engage in risky covert operations represents a significant development in our understanding of state-firm relations.

The case is also striking in light of contemporary security concerns about covert firm-state collaboration, particularly for more globalized countries. Recent examples include the U.S. phasing out Russia-based Kaspersky Labs software due to confirmed ties between its executives and Russian intelligence (Nakashima

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<sup>1</sup>The signed affidavits of the black ops participants can be read here: UK Hansard Debates 2007; Stephen Davis interview with Commander Lawrence of the USS *Antietam*, who received them.

<sup>2</sup>140. Testimony of those involved reveals the planners believed the flight would have the time to refuel and escape before the city was overrun. They did not anticipate the civilians would be captured.

and Gillium, 2017), sustained U.S.-led global restrictions on Chinese telecommunications company Huawei over espionage concerns (Cerulus and Wheaton, 2022; Berman et al., 2023), sanctions against Fly Baghdad for providing cover for Iranian weapons and militia transfers (U.S. Department of the Treasury, 2023), and the ongoing controversy surrounding TikTok under its Chinese ownership. Yet despite many headlines and widespread concerns, very little is known about this firms-as-agents strategy or its prevalence across place and time. To address this, I define *firm instrumentalization* as state engagement with firms to enable and provide cover for covert security purposes and reveal through dozens of previously unexamined cases that it has long been present in the global political landscape. Most importantly, I show it has frequently been used by governments such as the United States where it is arguably least likely to occur. While it is easy to understand and expect that nations such as the former Soviet Union engaged in firm instrumentalization, as state control over businesses is more predictable in authoritarian contexts, I also find rampant firm instrumentalization in democratic, liberal market environments.

In this article, I situate firm instrumentalization within a broader set of strategies in which states delegate to agents acting overseas, offering the state an added degree of access, cover, and reduced penalties while pursuing their objectives. Such benefits are illustrated in cases of states waging proxy conflicts through rebel groups (Salehyan et al., 2011; Karlén and Rauta, 2023), or in cases of governments supporting the pro-democracy efforts of state-supported NGOs (Carothers, 1999; Scott and Steele, 2011). While these actors are well-suited for particular missions—such as kinetic warfare or normative advocacy—multinational corporations offer a distinct set of advantages. Unlike other agent actors, MNCs possess globally embedded infrastructures, efficient bureaucracies, and deep integration into host economies. They can serve as logistical platforms, information conduits, or financial vehicles with minimal disruption to their primary operations. Additionally, their ability to interface with elite networks in both public and private sectors, along with their control over physical assets, enables a degree of operational versatility that is difficult to match. Thus, while delegation is always conditioned by task-specific fit, MNCs stand out as uniquely capable actors for a wide range of covert activities.

This research also argues that firm instrumentalization can usefully be categorized along two key dimensions: the regime type of the instrumentalizing state (liberal market vs. command/socialist market economies) and the home country of the firm relative to the instrumentalizing state (domestic vs. extraterritorial). It further argues that these dimensions shape the ease, mechanisms, and likelihood of successful instrumentalization. While command economies can use established coercive tools to control firms, liberal market contexts present a greater puzzle due to increased institutional independence between states and firms. I argue that personal relationships between firm executives and intelligence leaders are key to explaining firm instrumentalization in these ‘least-likely’ contexts, providing trust, discretion, and social pressure

for cooperation despite significant risks.

How is it possible to investigate theories on covert action? Other scholars have discussed this problem in depth (Maher, 2019; Carson and Yarhi-Milo, 2017). Common threats to inference include very small numbers of known cases and limited access to reliable data (Downes and Lilly, 2010). It can also be difficult for scholars to know whether the cases documented are representative or systematically different from those that remain classified or otherwise hidden from public view. Despite these challenges, it is notable that I am able to test several empirical implications of my argument with uniquely transparent data on two sectors that were heavily instrumentalized by China and the United States. To test my argument about the facilitators of command/socialist market instrumentalization, I analyze China's covert activation of Taiwanese media companies to impose editorial control and shape narratives.<sup>3</sup> To do this, I draw on Taiwanese government investigations, as well as journalism exposés and the confessions of senior firm leaders. Building on the work of prominent Taiwanese media scholars, I argue that economic coercion and economic incentives enable China to instrumentalize firms within Taiwan's media sector, including firms aligned with pro-Independence political views.

To investigate liberal market instrumentalization, I leverage all available cases of US news and media firms from 1950-1970.<sup>4</sup> During this era, the CIA received widespread assistance from prominent news agencies that provided them with press credentials for agent cover and shared their foreign photographs, film and recordings. When Congress investigated CIA overreach in the 1970s, much was revealed about these relationships, including testimonies of the complete set of cooperating firms. This allows me to compare firms that were CIA instruments with those that were not, making possible a rare quantitative analysis of covert action. I hand-collect data on the top 111 American news and media firms during my time period of interest with a focus on foreign affairs or international politics, and further hand-collect data on the top executives of these firms. To test my theory on executive connections with intelligence elites, I theorize new measures of elite ties constructed from material in the National Archives. The results reveal strong, robust associations between companies with at least one executive who served in an intelligence arm of the US military during WWII and subsequent instrumentalization in 1950-1970. On average, having an executive with intelligence ties is associated with a 30 percentage point increase in the probability of firm instrumentalization, compared to firms without such an executive. This analysis is complemented by an in-depth case study of one instrumentalized firm: Columbia Broadcasting Station (CBS). CBS offers some

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<sup>3</sup>Examples of command economies include North Korea, Cuba, and the former USSR. China has often been considered a socialist market economy (significant, but not complete top-down control of economic systems) with scholars noting increased state control in recent years (Pearson et al., 2022)

<sup>4</sup>This is most accurately described as the near-universe of cases. I have confirmation of the full set of cooperating firms, and can thus compare those firms to the remaining US news firms that could plausibly have been approached with firm instrumentalization requests. The period of 1950-1970 captures the period when news instrumentalization relationships began to the beginning of national investigations into CIA activities.

variation in firm instrumentalization and was helmed by four firm presidents over the period of interest. The CBS case also offers compelling evidence that personal trust between intelligence elites and firm executives was the key factor in its instrumentalization.

This project offers several notable contributions. First, it provides a terminology and theoretical framework for a prominent geopolitical concern and demonstrates the phenomenon's prevalence across diverse political systems and historical contexts. Second, it reveals a new dimension of power dynamics in MNC-state interactions, illustrating that major firms can be covertly subordinated to state security agendas even in liberal market systems. Third, it suggests that MNCs are agents with distinct potential in the international system, offering states global access, sophisticated cover, and a high degree of operational speed and flexibility for covert action. Finally, it suggests new strategies are needed for the screening of foreign commercial security threats, proposing that a traditional focus on sensitive sectors (energy, technology) or degree of state ownership, should be expanded to include individual assessments of firm leaders and the degree of economic entanglement with hostile foreign markets, regardless of geographic location.

The remainder of this paper will proceed as follows: first, I will describe important characteristics of the phenomenon generally, including its frequency across time, what states commonly use it, and the sectors most frequently involved. Second, I apply and extend the principle-agent framework, a theory that describes the dynamics of delegation, and highlight consistencies and differences between state use of firms as agents of foreign policy compared to other commonly used actors such as foreign rebel groups or transnational NGOs. Third, I put forward my argument that the regime type of the initiating state influences the means, ease, and likelihood of success of firm instrumentalization. I will then test these arguments in two sections, with a qualitative assessment of Chinese firm instrumentalization in Taiwan and a mixed-method qualitative and quantitative analysis of US news firms instrumentalized by the CIA. The paper concludes with a discussion of generalizability and policy recommendations based on the findings.

## 2 The Phenomenon of Firm Instrumentalization

Firm instrumentalization describes a strategy of states engaging firms to use the cover and functions of international commercial enterprise to conduct covert security policy abroad. What unifies the cases are the following characteristics: that the firm was aware of and agreed to the instrumentalization, that the deception involved risks to the firm's bottom line, and that the execution required action that the firm would not otherwise have undertaken. With no prior unifying definition or framework to identify them, finding instances of instrumentalization was a challenging process, requiring case-by-case analysis using the best sources available and drawing inspiration from other successful scholars studying covert phenomena.

For example, keyword searches were conducted on declassified records and the biographies of intelligence elites, such as prior CIA directors. Books recounting individual spy and intelligence histories were also searched, as well as international investigative reports that were often supported by executive confessions, state confessions, legal files, and leaked government documents. Case identification followed an iterative snowball approach. Starting with high-profile cases (such as Israel's abduction of Adolf Eichmann from Argentina using the cover of a commercial airline), I traced references in declassified records and intelligence biographies, which led to the discovery of additional cases. At the time of writing, such efforts have led to the identification of over sixty cases of firm instrumentalization spanning over ten decades and involving firms in twelve countries: the US, UK, Russia/USSR, Israel, Cuba, Germany, Thailand, Indonesia, France, China, and Taiwan.<sup>5</sup>

An overview of the collected cases highlights several key trends. First, the set indicates that firm instrumentalization has occurred across various policy eras, starting from the WWI period. The cases show a notable peak in frequency during the Cold War era as well as an increase in incidents within the last two decades. This suggests firm instrumentalization is becoming more common in the modern era, likely due to increased global commercial ties, but also due to rising geopolitical rivalries in the international system. Furthermore, the cases illustrate patterns in the sectors commonly activated for instrumentalization, namely news/media, transportation/shipping, and telecommunications sectors. This activation of firms providing global access, information, and freedom of movement makes clear strategic sense for intelligence organizations seeking to conduct espionage and transport sensitive goods and personnel internationally. The case set also shows a significant number of instances involve extraterritorial instrumentalization—situations in which a government activates a firm based outside its own territory to advance covert political objectives. Examples include China covertly directing media companies in Taiwan and activating conglomerates in Thailand and Indonesia to serve its security goals, as well as the United States and Iran utilizing foreign-based airlines to transport weapons, personnel, and aid to distant locations without attracting suspicion. This complicates common assumptions about control and jurisdictional ties and underscores the importance of examining how a state can covertly shape firm behavior outside its territory.

Across the data set, the largest subset of cases involve US instrumentalization. This is partly because evidence of firm instrumentalization is easier to find when it is related to the US context, due to increased transparency protocols and declassification systems in the United States, as well as increased global attention to American intelligence activities. Furthermore, the majority of US cases involve one specific sector, the news and media sector, a sector that was the particular target of Congressional investigations in the 1970s.

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<sup>5</sup>A handful of additional cases remain plausible but lack sufficient evidence (at least two established, independent sources) to be included in the main set.

This high degree of transparency about an entire sector provides the basis for the quantitative analysis in this article. Without this unique subset of the data, the US has a relatively consistent number of cases compared to other powerful countries in the dataset. With that said, the United States is likely one of the greatest perpetrators of firm instrumentalization. This is not only because the US is a major power and has a history of frequently meddling in global politics, but also because the United States is a major world economy, with countless multinational firms based within its borders.

The dataset is also likely biased towards older and less controversial cases. I expect that declassified records from the United States and other locations are more likely to reveal older instances of firm instrumentalization and operations that are less likely to prompt backlash. However, many cases in the collection were not revealed through planned declassification protocols, but through leaks or operational failures soon after their execution. In these surprise revelations, I find remarkable consistency in state engagement with firms and the manner in which objectives were achieved. This consistency between key aspects of planned, declassified and leaked cases provides reasonable confidence that the findings derived from this set will be applicable to similar cases revealed in the future.

### **3 Extending The Principal-Agent Framework: States and Non-State Actor Agents**

How should we understand firm instrumentalization as a strategy, and what key considerations do both states and firms face in its execution? In terms of costs, firm instrumentalization involves substantial stakes for all parties. On the firm side, the risks can be severe: legal exposure, reputational harm, and even foreign sanctions. The British Airways example clearly illustrates this. Jeopardizing a \$40 million plane with nearly 400 civilian passengers on board to covertly slip a military presence into an active war zone represents an unusually potent mix of elements ripe for political and economic disaster. Instrumentalization can also lead to lawsuits — British Airways has been engaged in many related legal disputes over the past decades — that can embroil a business in expensive, drawn-out battles with slighted customers or commercial partners, and the scandal itself can be enough to deter nervous consumers (Watson-Smyth, 2007). Furthermore, nations hostile to a perpetrating country could easily sanction firms, shutting down international commercial routes. This has occurred in other cases, such as the United States banning Aeroflot (USSR) and Cubana de Aviación (Cuba) airlines from American airspace after confirming that their civilian planes were being used for surveillance and reconnaissance efforts above military bases (Garland, 1981).

On the state side, governments risk international backlash, domestic political penalties from constraining

constituencies and the loss of the covert channel, or similar channels, due to discovery. If a covert operation is exposed, adversaries and allies alike may use it to justify retaliation or reduced cooperation. For instance, when Edward Snowden revealed the US government had been using American telecommunications companies to secretly surveil domestic and international data, many nations were outraged. Brazil canceled a long-planned diplomatic visit to the White House and rebuked the US government at the United Nations, while Germany expelled the CIA station chief from Berlin (Hennessey and Vincent, 2013; Chambers, 2014). Revelations of firm instrumentalization can also erode international trust and impact trade relationships (Tomz, 2007)<sup>6</sup>. Domestic consequences add another layer of complexity. Revelations can trigger backlash from other MNCs that suffer collateral damage from foreign retaliation. Continuing with the previous example, when AT&T was exposed as a surveillance partner for the U.S. government, suspicion spread to the broader American tech sector (Miller, 2014; Smith, 2014), damaging both firm interests and government-industry relations. Additionally, public outrage, especially if civilians are endangered, creates political consequences for state leadership. For instance, in the BA149 case, had definitive proof of the operation emerged immediately, the public fallout would likely have been costly at the polls. Yet evidence reveals that many governments continue to use firm instrumentalization despite these immense risks.

To understand how and why states would pursue such risky strategies, the principal-agent framework offers a useful lens. This framework helps explain the dynamics of delegation, especially when principals (states) seek to pursue foreign policy goals through agents (non-state actors). In international relations, it has traditionally been applied to state use of rebel groups, NGOs, or international organizations to exert indirect influence (Salehyan et al., 2011; Hawkins et al., 2006). Such strategies appeal because they provide middle alternatives to diplomacy or direct intervention.<sup>7</sup> Firm instrumentalization shares some characteristics with these approaches, but it also introduces distinct strategic opportunities and constraints. To account for this, I extend the principal-agent framework to include multinational corporations (MNCs) as agents for covert intelligence operations.

The literature shows there are three main reasons states delegate to non-state actors: non-state actors have access or capabilities the state lacks (Phillips and Sharman, 2020), it is less costly for the state to delegate to a non-state actor that already has the capital required to carry out the task (Kiewiet and McCubbins, 1991; Hawkins et al., 2006)<sup>8</sup>, and using an agent actor can provide some deniability if suspicious behavior comes to light. Thus, the use of an agent can, at best, completely conceal state involvement in the operation, or at a minimum, provide some buffer to reduce blame (Cormac and Aldrich, 2018; O'Rourke, 2018;

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<sup>6</sup>These effects are context-dependent: targeting adversaries may be viewed more sympathetically than operations against neutral or allied states, but reputational harm is likely in either scenario (O'Rourke, 2018)

<sup>7</sup>There is a wide-ranging literature examining “gray zone” tactics between diplomacy and war (O'Rourke, 2018; Cormac and Aldrich, 2018; Poznansky, 2020). This paper specifically focuses on principle-agent dynamics with non-state actors.

<sup>8</sup>Kiewiet and McCubbins 1991: 5

Poznansky, 2020).<sup>9</sup> MNCs can deliver on all three fronts—but in ways that set them apart from rebel groups or NGOs. For instance, the global reach, infrastructure, and expertise of multinational firms—such as Pan American Airlines’ repurposing Latin American landing fields for US military operations or The New York Times’ provision of credentials for agent cover via its worldwide bureaus, offer sophisticated, global access to locations and elites of both government and industry. Such complex, efficient, transnational infrastructure outstrips the often restricted scope of regional or subnational rebels or local actors, dramatically increasing the possible scale, range, and speed of operations. Second, the cover of legitimate business activity offers a smooth opportunity for secrecy, one that is arguably better at masking covert state action compared to many other actors. For instance, it is difficult for a state to fully hide its support of foreign rebels or opposition groups for long (Cormac and Aldrich, 2018; O’Rourke, 2018; Karlén and Rauta, 2023). In contrast, the sophisticated cover and small number of involved personnel in many cases of firm instrumentalization allows operations to remain concealed for years and even decades.<sup>10</sup>

But while these are significant benefits, there are also clear challenges associated with operating via agent actors, especially for covert purposes. Perhaps the most notable concern with using an agent is the possibility of agency slack. When states collaborate with and delegate tasks to agents there is always the chance that the actor might not carry out the principal’s intended plans (Hawkins et al., 2006; Salehyan et al., 2011).<sup>11</sup> Instead, agents might apply the state’s resources for other purposes more aligned with their own interests. For instance, a rebel group may divert resources from a foreign state for tasks the state does not prioritize. Thus, having a compliant agent or proxy actor is a chief priority so states can achieve their desired objective and minimize the required resources. I add to this understanding of challenges by proposing that a related—but different—concern for firm instrumentalization involves the possibility of information disclosure by the agent. Once an intelligence agency shares sensitive intel with outsiders, there is a real possibility that the information could be mishandled or leaked by the third party. This mishandling of sensitive information could jeopardize the success of the operation and perhaps even the state’s broader strategic interests. Furthermore, these two distinct concerns are often magnified by time pressure. When firm instrumentalization needs to be done quickly, states have additional pressure to mitigate these concerns within a short time span. Taken together, these factors demonstrate that while firm instrumentalization offers strategic advantages—reach, cover, and potential deniability—it also poses serious risks such as reputational fallout and domestic blowback. It also poses significant challenges, such as agency slack and information leaks. Thus, states that pursue this strategy will seek to maximize firm utility while minimizing agent

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<sup>9</sup>O’Rourke 2018: 49

<sup>10</sup>For example, a 2014 French investigation revealed that Orange Telecom had covertly granted French intelligence access to its data for [in 2010] roughly 193 million global customers for more than 30 years (Follorou, 2014; Oates, 2014).

<sup>11</sup>Hawkins et al 2006: 8; Salehyan 2011: 714

autonomy and indiscretion—often under tight time pressure. This raises a key question: how do such state-firm relationships form, and what conditions allow states to successfully instrumentalize firms?

## 4 Market Systems and Firm Instrumentalization

I propose that the means, ease, and likely success of firm instrumentalization primarily depends on the political institutions of the instrumentalizing state. In political institutional contexts where the state has a high degree of control over the economy, such as command or socialist market economies, I argue that governments find it easier to engage firms in instrumentalization due to their high degree of control over market and political processes. This stick and carrots approach is well documented in existing scholarship. These states can wield regulatory discretion, enforce rules selectively, and leverage access to state-controlled capital to pressure firms (Pearson, 2005; Brødsgaard, 2012). This includes financial threats—such as cutting off access to bank credit—as well as political coercion (Hall and Soskice, 2001). For instance, China’s 2017 National Intelligence Law requires all firms to assist state intelligence efforts (Creemers, 2018).<sup>12</sup> These contexts where states have more market and political control are thus better able to leverage institutional tools and create compliant, discrete agents for covert operations. However, while more authoritarian governments may find firm instrumentalization easier to initiate, I argue they also have more challenges in achieving their instrumentalization aims. This is because it is well known that command/socialist economies have such coercive institutions at their disposal, and this makes foreign governments more wary of major firms based in their sovereign territory. This suspicion invites increased scrutiny of and restrictions for firms originating from these locations, and creates an added challenge for these regimes in maintaining secrecy and achieving their instrumentalization goals.

In contrast, liberal market economies are characterized as the political economic systems with the highest degree of independence between states and firms (Hall and Soskice, 2001). Unlike states with a high degree of state control over financial institutions, liberal market governments have far less control over market processes and do not have the same coercive tools available to facilitate firm instrumentalization.<sup>13</sup> Furthermore, all liberal market economies are democratic regimes and are thus constrained by democratic norms, meaning firms could turn to a free press if they perceive state overreach. All these factors make firm instrumentalization more risky and less expected in liberal market contexts. In such environments, I propose personal relationships between state intelligence elites and firm leaders become central in facilitating

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<sup>12</sup>China’s 2017 National Intelligence Law requires all organizations and citizens to support, assist, and cooperate with the country’s intelligence agencies. Specifically, Article 7 mandates that: “Any organization or citizen shall support, assist, and cooperate with the state intelligence work in accordance with the law...”

<sup>13</sup>It is worth noting that liberal market economies do have some coercive tools at their disposal (such as court orders or government contracts) but they are less frequent and less powerful compared to command or socialist economy tools.

instrumentalization, compensating for the lack of formal coercive mechanisms. Thus, when deciding which firms to approach, intelligence officials are likely to prioritize those led by executives they know and trust. These personal ties reduce the uncertainty surrounding the request and increase confidence that the firm will comply. In making this claim, I draw on findings in economic sociology about the role of social relationships and trust in market exchanges, bringing an individual level lens into MNC-state analysis (Granovetter, 1973, 1985; Johnson, 1982).<sup>14</sup> Granovetter in particular posits that economic exchanges between individuals are often not the result of a mere cost-benefit analysis. Rather, transactions are typically conducted by individuals who have existing social and business connections. These relationships add a layer of trust to the exchanges, both because good reputations have been established in the past, but also because they create pressure to follow through for positive exchanges in the future. Thus, personal information about the executives reduces the uncertainty and risk associated with firm instrumentalization in these contexts. Thus, I argue that state intelligence elites in these environs will often turn to personal friends that lead multinational firms to minimize agency slack, ensure operational discretion, and to find willing agents under time pressure.

<sup>15</sup> Finally, because liberal market economies are characterized by high firm autonomy, companies from these environments attract less suspicion abroad than their authoritarian counterparts, enhancing the chances that instrumentalization efforts remain undetected. Thus, while harder to initiate, such arrangements—once established—may be more operationally secure.

I also propose that ideological factors—such as patriotism, or the partisan leanings of firm leaders—can play an important supplementary role in facilitating firm instrumentalization across both authoritarian and liberal market contexts. While such ideological motivations alone don't provide the same degree of agent security and certainty compared to the pressures of coercive institutions or the close bonds of personal relationships, they may nonetheless help reduce resistance or even encourage compliance. For instance, in liberal democracies, executives who identify strongly with national security goals or align politically with a governing administration may be more inclined to cooperate with intelligence requests, particularly if the covert operation is framed as advancing the public good or protecting national values. This effect may be amplified during periods of perceived existential threat or heightened geopolitical rivalry, such as the Cold War or post-9/11 era, when national unity narratives are strongest.

However, I propose ideological alignment on its own is insufficient to secure instrumentalization. This is because, particularly in authoritarian contexts where overt political dissent is dangerous—or during moments of national security crisis, such as the Cold War—ideological signals can be ambiguous or strategically

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<sup>14</sup>Granovetter 1973 specifically discusses school ties; Johnson 1982 mentions how the elite social gukubatsu in Japan has a major influence on the Japanese state bureaucracy.

<sup>15</sup>Secretly instrumentalizing the firm without seeking firm permission is a separate strategy that carries its own costs and benefits. This distinct strategy may be addressed in a future article.

performed. In such situations, it is difficult for states to assess whether expressions of loyalty stem from genuine belief or calculated self-preservation. As a result, the pressure from sticks and carrots or the intimate knowledge that comes from close personal ties provide more reliable sources of certainty. These mechanisms help mitigate the risks that arise from relying on potentially performative or misread ideological alignment. In short, while I propose ideology alone is unlikely to be a primary mechanism of instrumentalization, it can grease the gears of cooperation.

Finally, I argue that these primary facilitators—institutional sticks and carrots in command/socialist markets and elite networks in liberal markets—can be deployed beyond the borders of the instrumentalizing state. In the case of command or socialist market economies, governments can extend the reach of their coercive levers to foreign firms that are economically entangled with or dependent upon their markets. This dependency, whether through supply chains, financing, or market access, offers powerful leverage. Importantly, extraterritorial instrumentalization in such cases can offer strategic advantages: while firms headquartered in authoritarian states often face heightened suspicion, operating through a foreign-based firm may not attract the same level of suspicion, thus providing an additional layer of cover. In contrast, liberal democracies, lacking centralized coercive instruments, are more likely to rely on informal networks and personal relationships even when engaging firms abroad. In these contexts, intelligence officials may seek out trusted individuals within foreign firms to facilitate cooperation, extending the same informal strategies they employ at home to the international sphere.

## 5 Analyzing the Mechanisms

### 5.1 Authoritarian Instrumentalization

To test my theory of political institutions influencing the means of achieving firm instrumentalization, I leverage uniquely transparent data on two eras with widespread instrumentalization in two distinct markets: Chinese instrumentalization of Taiwanese news firms from 2008-2020 and US instrumentalization of American news firms from 1950-1970. Since China is the largest socialist market economy and the United States is the largest liberal market economy, these settings provide ideal circumstances for an analysis of firm instrumentalization in each market type. Taiwan is also an ideal context to test my theory on command/socialist instrumentalization mechanisms for several reasons. First, Taiwan is a democracy, and thus there is sufficient public data on government investigations into discovered Chinese instrumentalization for an examination of mechanisms. Second, Taiwan serves as an important case study for understanding extraterritorial instrumentalization. The island nation occupies an intensely precarious geopolitical position,

situated a mere eighty miles off the coast of a powerful nation intent on its subjugation. Furthermore, China has been attempting to sway Taiwanese public opinion on reunification for some time. The Taiwan context thus examines a high priority Chinese target for firm instrumentalization and offers a relatively transparent view on these efforts through public government investigations and journalism exposés.

In Taiwan, there are strict laws intended to preserve press freedom and integrity. Media must operate without government interference (Radio and Television Act, Article 5-1), must clearly label sponsored content (Radio and Television Act, Article 27; Fair Trade Act, Articles 21, 22), and must report fairly and objectively (Satellite Broadcasting Act; Cable Radio and Television Act). Furthermore, the Cross-Strait Act (Article 33-1) bans political cooperation with mainland Chinese groups to prevent propaganda (National Security Law, Article 2-1). Violations such as undisclosed Chinese funding can lead to fines, investigations, or license revocations. Over the past two decades, numerous Taiwanese media firms have violated these laws, and have been subjected to penalties. The government has discovered Taiwanese media outlets being paid to publish pro-China stories—such as those promoting economic incentives or tourism—without disclosing them as advertisements, firms allowing Beijing’s Taiwan Affairs Office to directly fund and edit content to support China’s reunification agenda, and outlets engaging in self-censorship, canceling political talk shows and shifting editorial stances over time to avoid politically sensitive topics such as China’s treatment of Uyghurs and Tiananmen Square.

I examine the mechanisms of my theory of command/socialist market firm instrumentalization by analyzing the top eight privately owned news and media firms in Taiwan from 2008-2020 using evidence of instrumentalization by the Chinese government.<sup>16</sup> These are firms of similar size and are best positioned to reach large numbers of Taiwanese citizens, and are thus especially favorable targets for Chinese instrumentalization.<sup>17</sup>

Table 1: Top Privately Held Media Firms in Taiwan (2008-2020)

Media Firm	Type	Confirmed Instrumentalization
United Daily News	Newspaper	Yes
Liberty Times	Newspaper	No
China Times	Newspaper	Yes
TVBS	Television	No
Sanlih E-Television	Television	Yes
Eastern Broadcasting Company	Television	No
Chung T’ien Television	Television	Yes
Taiwan Television Enterprise	Television	No

<sup>16</sup>Data drawn from the Reuters Institute of Politics at Oxford University 2025 report on firm weekly online reach. For consistency, only firms that existed throughout the entire 2008-2020 period are included. News Aggregators are also excluded for consistency. Instrumentalization confirmed by (Huang, 2020).

<sup>17</sup>This is not an exhaustive set of all instances of firm instrumentalization of Taiwanese media, but this set allows for an analysis of similar firms.

In conducting the analysis, I rely on public firm information and the work of Taiwanese media scholar Jaw-Nian Huang, who has identified news firms that have agreed to illegal covert action over the past two decades. In his work, Huang relies on government files provided by the Taiwanese Executive Yuan and personal interviews with policy elites and media firm elites.<sup>18</sup> I complement Huang's assessment with the work of investigative journalists and personal interviews from my own fieldwork in Taiwan. For each of the eight firms, I examine the potential presence of any of the proposed mechanisms in my theory. This includes investigating potential institutional sticks and carrots that could apply pressure to cooperate, potential elite ties between firm leaders and Chinese intelligence, and ideological factors.

According to my theory, I expect that firms instrumentalized by Beijing are more likely to have extensive business ties with the mainland and government reports are likely to reveal the use of Chinese sticks and carrots based on China's high degree of political and economic control of its market institutions. I also expect that the ideological leanings of firm leaders may play a role in the process of instrumentalization, though I expect it is not the primary factor. Finally, I expect that elite ties between intelligence elites and firm leaders should be less of a factor in cases of authoritarian instrumentalization, since the use of institutional sticks and carrots is available and effective.

First, I examine what I propose is the primary mechanism for instrumentalization by command/socialist economies, the use of institutional sticks and carrots due to a high degree of state control over market processes and political institutions. While China cannot directly control Taiwanese firms with selective enforcement or other domestic levers, the use of economic leverage provides a strong plausible explanation for instrumentalization. For Taiwanese firms, access to China's vast consumer base—over 1.4 billion people and a GDP of 17.8 trillion (World Bank, 2023)—is highly valuable. Surveys by the American Chamber of Commerce in Taipei (American Chamber of Commerce in Taipei, 2022) indicate that 70 percent of Taiwanese businesses view China as a critical market, with sectors like electronics and entertainment heavily invested, despite geopolitical tensions. Furthermore, the value of accessing the Chinese market is especially intense in times of financial difficulty. For instance, in the late 2000s, Taiwanese companies began buckling under the strains of the 2008 financial crisis, and eagerly looked to China to improve their financial balance.

Extending the work of Huang Jaw-Nian, who has previously identified the role of firm material self-interest in reducing Taiwan's press freedom, I break down China's economic leverage facilitators into two categories: coercive and incentive. Coercive economic entanglements refer to China applying pressure to firms that already have a significant presence in the Chinese market and threatening to restrict that presence if a firm does not engage in instrumentalization. An example of this includes the Taipei edition of Apple Daily news, headquartered in Hong-Kong. Following Apple Daily's refusal to adhere to the CCP line in its reporting,

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<sup>18</sup>The Taiwanese Executive Yuan is the Executive branch of the Taiwanese government.

the Hong Kong news office was forced to cease all operations in 2021, and its Taipei office had all funds cut off (Davidson, 2021). In consequence, the Taiwan subsidiary was sold off due to lack of critical funds for continued operations. This coercive facilitator is a powerful motivator. “When funding from the Chinese government becomes a big part of your revenue, it’s impossible not to exercise self-censorship,” said a reporter, who said she was involved in several stories illegally commissioned by the Chinese government in 2017-2018 for a newspaper based in southern Taiwan” (Lee et al., 2019). The second category of economic leverage, the incentive facilitator, involves China offering lucrative market access or other financial inducements in exchange for instrumentalization. One example is found in major broadcaster Sanlih E-Television (SET), where Beijing “dropped a hint that SET should close down the Big Talk News, a popular pro-Taiwanese identity, anti-Beijing political talk show” for its dramas to be broadcast in China (Huang, 2020). Shortly afterwards, SET received the green light to broadcast its dramas on the mainland (Huang, 2020).<sup>19</sup> SET also significantly reduced reporting on stories related to Falun Gong, Tibetan Independence, and the Tiananmen Square Incident (Huang, 2020).<sup>20</sup>

Table 2: Media Firms and Economic Ties With China

Media Firm	Economic Ties With China	Confirmed Sticks/Carrots
China Times	Extensive	Subsidies, Illegal payments
United Daily News	Moderate	Illegal Payments
Liberty Times	Low	No
TVBS	Moderate	No
Sanlih E-Television	Moderate	Censoring for access
Eastern Broadcasting Company	Moderate	No
Chung T’ien Television	Extensive	Subsidies, Illegal payments
Taiwan Television Enterprise	Low	No

The third strategy involves a combination of both strategies, incentivizing firm leaders that already hold significant presence in the Chinese market to engage in firm instrumentalization to expand and protect their existing businesses. For example, in a few cases, China has approached wealthy Taiwanese business tycoons with significant non-media holdings in the Chinese market and requested they move to acquire a Taiwanese news network. The most well-documented case is that of Want Want Snack Company, a major food and drink firm that is popular in China but headquartered in Taiwan. The case of Tsai Eng-Meng, owner of both China Times Newspaper (acquired in 2008) and CTiTV (acquired in 2006), a prominent cable news channel, shows this combination of both strategies. Suspicion of China Times’ clandestine collaboration with Beijing authorities stretches back over ten years, since Tsai acquired the company for 700 million. At the time, Tsai’s pro-Beijing ideological orientations were well known and some raised concern about his

<sup>19</sup>Huang 2020: 103

<sup>20</sup>Huang 2020: 100

surprising foray into the news sector. One senior government official revealed that “China’s Taiwan Affairs Office actually cooperated with a senior KMT leader to convince Tsai Eng-ment to purchase the group under the direction of the CCP’s Publicity Department, to prevent its acquisition by the anti-communist Next Media Group” (Hsu, 2014).<sup>21</sup> Following the acquisition, reports confirm that “the Want Want Group received numerous embedded advertising fees from the Chinese authorities...” and that “Want Want China Holdings Limited, also received USD 47 million in Chinese official subsidies in 2011, which accounted for 11.3 percent of its total net profit” (The Economist, 2013). Soon, the editorial direction of the China Times began to shift. Word spread that an editor was fired for publishing an article that was critical of a Chinese negotiator, and the paper began tempering or avoiding news stories that censured China and its policies. Some even began to call the paper a “mouthpiece” for Beijing and its agenda in Taiwan.<sup>22</sup>

Beyond Tsai’s well-documented case, a 2019 Reuters exposé revealed that at least five major Taiwanese media groups actively accepted payments from China’s Taiwan Affairs Office for pro-Beijing content, and that further reasons for cooperating were economic in nature (Reuters, 2019). Additional investigations, interviews with current policy elites, and upper management confessions continue to indicate firms are actively censoring content at Beijing’s request in exchange for continued access, or initiating access, to the Chinese market. For example, a 2024 article released by The Liberty Times implicated the digital media company ETtoday, part of the Eastern Media International (EMI) group alongside Eastern Broadcasting Company (EBC), for allowing an official from China’s Xinhua News Agency to actively direct the ongoing production of a political talk show (Huang and Chung, 2024). This was an extraordinary accusation, as Xinhua News Agency is not just any standard Chinese publication, but is widely considered the news mouthpiece of the Chinese government and an arm of its propaganda machine. The Liberty Times documented the official’s extensive involvement in meetings, discussion of topics and scripts, and even accused the individual of being present during show recordings to ensure the final content aligned with the directives of China’s Taiwan Affairs Office (TAO). The article specifically noted that the TAO had approached several Taiwanese stations that same year, proposing they start a new political talk show in exchange for preferential treatment in the Chinese market (Huang and Chung, 2024).

Finally, TVBS, while not subject to government investigations and not directly accused in Huang’s work, has been subjected to increasing accusations of instrumentalization in recent years. Cher Wang, the main owner of the company, has extensive manufacturing firms in the mainland, and some have suggested she is among Taiwanese capitalists who have sought to “invest in the media in Taiwan as their political asset to obtain special interests for their enterprises in China” (Huang, 2020). Furthermore, TVBS caused

<sup>21</sup>Hsu 2014: 520

<sup>22</sup>Huang Jaw-Nian Interview with Tsai Chi-Ta, former Senior Opinion Editor of the China Times, Taipei, June 17, 2014

controversy when it quickly removed an exclusive interview with James Moriarty, the head of the American Institute in Taiwan, where he warned about “external forces attempting to manipulate public opinion” in Taiwan. The interview was completed just prior to local elections (Wang, 2018). TVBS’s decision sparked national interest and prompted Taiwan’s National Communications Commission to impose safeguards to ensure greater editorial independence as a condition for approval of a new company chairman (Shan, 2020). Such accusations highlight the ongoing pressures faced by Taiwanese media companies with economic ties to the mainland, and the likely presence of both market-controlled incentives and coercion in China’s attempt to quietly shape Taiwan’s media environment.

Next, I investigate the possibility that other proposed mechanisms, such as elite ties or ideology, played a role in the instrumentalization of Taiwanese firms. I first examine whether firm owners had any pre-instrumentalization links with Chinese intelligence. Specifically, firm leaders were investigated to determine whether they attended prominent educational institutions in China or were long-standing members of any organizations with confirmed ties to Chinese intelligence. The thinking behind this assessment is that these forums might have facilitated cross-border networking between future Taiwanese firm leaders and future Chinese intelligence leaders, and is consistent with other scholarship measuring potential elite ties (Brint and Yoshikawa, 2017; Brint et al., 2020). However, because Taiwan has long restricted citizen participation “in the organs, organizations, or institutions of the Mainland Area”, there are few cross-national forums that could facilitate the forging of close elite ties between Taiwanese firm leaders and Chinese intelligence elites aside from educational institutions (Mainland Affairs Council, 1992). In consequence, educational institutions stand out as one of the rare and traceable channels through which such connections might have emerged.

Table 3: Media Firms and Leader Education

Media Firm	Firm Leader	Leader Education
China Times	Tsai Eng-Meng	No College
United Daily News	Wang Shaw-Lan	Shih Hsin University (Taiwan)
Liberty Times	Lin Ron-San	Fu Jen Catholic University (Taiwan)
TVBS	Cher Wong and Associates	University of California, Berkeley
Sanlih E-Television	Lin Kun-Hai	No College
Eastern Broadcasting Company	Post-2017 Chang Kao-hsiang	High School (Taiwan)
Chung T’ien Television	Tsai Eng-Meng	No College
Taiwan Television Enterprise	Huang Song	Fu Jen Catholic University (Taiwan)

Identifying the relevant leadership for these firms is relatively straightforward, as many are primarily owned by a single individual, or a family, and ownership tends to remain consistent for decades. These owners also tend to be heavily involved in the management of the firms, and are thus the active leaders of the

companies. For all eight firms, no evidence indicates that any firm leaders had histories that indicate personal, pre-instrumentalization ties with members of Chinese leadership or Chinese intelligence. Biographical data reveals that firm leaders were educated in Taiwan (some never even attended college) or in the United States and were thus not in obvious locations where future Chinese intelligence elites are concentrated, such as Chinese colleges, Ivy League Institutions, or elite European Schools (Table 3). In fact, all but one firm leader spent all their formative years in Taiwan. In sum, the biographical information shows it is unlikely any of these firm leaders rubbed shoulders with the future elites of China in the forums traditionally screened for the formation of elite networks. Thus, all available information suggests that personal elite ties did not play a role in driving firm instrumentalization in the Taiwan media sector.

Finally, I assess the potential role of firm leader ideology in facilitating firm instrumentalization. To determine firm leader ideology, I searched biographical information on the firm leaders, including political statements that had been made to the press, campaign donations or support of candidates, and reports of personal editorial input at their news companies. Among these firm leaders, there is an even mix of solidly pro-China/pro-unification leaders, China-friendly/KMT supporting leaders (the KMT is the major political party most open to closer cooperation with China), moderate leaders, and solidly pro-Taiwanese independence/DPP (Independence party) leaders.

Table 4: Media Firms and Firm Leader Ideology

Media Firm	Firm Leader Ideology
China Times	Pro-China/Pro-KMT
United Daily News	Moderate/Pro-KMT
Liberty Times	Pro-Taiwan/Pro-DPP
TVBS	Moderate/Pro-KMT
Sanlih E-Television	Pro-Taiwan/Pro-DPP
Eastern Broadcasting Company	Moderate/Pro-KMT
Chung T'ien Television	Pro-China/Pro-KMT
Taiwan Television Enterprise	No information (Firm is Moderate)

When examining the four instrumentalized firms in the set, the leadership of the three firms most extensively implicated in recent instrumentalization, China Times, United Daily News and CTiTV, are publicly tied to pro-Beijing ideologies(Taiwan Control Yuan, 2010). First, United Daily has a long history of supporting the Taiwanese KMT party (more pro-Beijing), and its current owner Shaw-Lan Wang has expressed her support for eventual unification, and her self-identification as Chinese and not Taiwanese, a clear social signal of her favorability to the mainland (Pilling, 2012). Furthermore, Tsai Eng-Meng, the owner of China Times and CTiTV, has long held strong pro-unification opinions, even telling the Washington Post in 2012 “whether you like it or not, reunification is going to happen sooner or later,” and adding “I really hope I get

to see that [reunification]” (Higgins, 2012). Similarly, amongst most firms that have avoided instrumentalization, the leadership hold strong Taiwanese independence views. For example, major firm The Liberty Times has long been headed by the staunchly pro-Independence/pro-DPP Lin Kun-Hai and his family, and the firm has entirely escaped the widespread accusations of entanglements with Beijing’s Taiwan Affairs Office. But ideology, while significant, doesn’t seem to explain all cases. For instance, Sanlih E Television (SET), the previously mentioned network that canceled a popular political talk show following quiet “hints” from the Chinese government to close it down, is led by a pro-Independence family (Lin Kun-Hai) and is a reliable Pro-DPP (Independence party) outlet (Huang, 2020).<sup>23</sup> Sanlih also engaged in self-censorship, notably reducing its coverage of subjects considered sensitive by Beijing’s Taiwan Affairs Office. The Sanlih case is particularly noteworthy because it shows that a firm considered unaligned with Beijing politically would still follow orders from the CCP to the detriment of Taiwanese media independence. This suggests that while ideology may play a supporting role, or ease the facilitation of firm instrumentalization, it is not the primary driver, as I do not find consistent evidence that ideology correlated with firm instrumentalization.

These findings suggest that China has—and continues to—activate Taiwanese media firms, in violation of Taiwanese law, to covertly shape political narratives among the Taiwanese public. The analysis suggests that the primary mechanism for such instrumentalization is institutional economic pressures: coercion of firms already entangled in the Chinese market, incentives for struggling companies not yet engaged, or a combination of these stick-and-carrot approaches. While ideological leanings may help grease the wheels of instrumentalization as the analysis of news firms shows, the evidence ultimately suggests that China’s powerful economic levers—rooted in its extensive control over its domestic market—primarily drive Beijing’s strategy, even swaying prominent firms that are not ideologically aligned with its interests.

## 5.2 Liberal Market Instrumentalization

To test the mechanisms facilitating firm instrumentalization in liberal market economies, I leverage the near universe of US news firms from 1950-1970. Firm instrumentalization of US media gained prominence in 1953 when Allen Dulles, the first leader of the CIA, began making inroads with some of America’s most prestigious media companies to seek assistance. Dulles believed that CIA operatives abroad furnished with US press credentials “would be accorded a degree of access and freedom of movement unobtainable under almost any other type of cover,” a perspective that had a major impact on CIA operations in subsequent decades (Bernstein, 1977). Press cover quickly became one of the CIA’s most favored tactics for agents deployed overseas. Furthermore, the CIA was often allowed access to the newsrooms containing the company’s photographs, recordings, and other information before it was used in publications (Bernstein, 1977; Schorr,

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<sup>23</sup>Huang 2020: 103.

1977, 1978).<sup>24</sup> Many of the firms also agreed to direct some foreign correspondents to provide memoranda to the CIA, filling out details on individuals or circumstances in their stationed area (Crewdson and Treaster, 1977).<sup>25</sup> In one case, a firm President even allowed the CIA on company property to spy on foreign officials (Schorr, 1977).<sup>26</sup> Sources also indicate that company leaders understood the risks that they were taking by approving of the instrumentalization of their firms. For instance, there was concern about endangering the lives of foreign correspondents if enemy nations learned there were CIA agents amongst their ranks, a risk that materialized in certain circumstances (Loory, 1974; Bernhard, 1999).<sup>27</sup> Moreover, high-level personnel knew their firms could experience a “crisis of confidence,” losing their reputations as objective, independent sources of information if they became publicly linked to the CIA. For instance, one senior editor from *Life Magazine* later confided in a reporter: “our reporters and photographers would have lost their sources if word got out we were cooperating with government agencies” (Loory, 1974). Finally, executives were concerned that they would be blocked from accessing locations abroad if the instrumentalization was exposed. Such revelations could hinder the firm’s ability to acquire information about future events and could undermine the firm’s trust with foreign governments. These relationships with foreign governments were often delicate and critically important for business. For instance, after President Truman requested that the *New York Times* refuse an initial invitation from the Chinese government, the firm was forced to wait seventeen long years before finally receiving permission to again send reporters to Beijing (von Hoffman, 1977). All these realities made CIA collaboration a very risky endeavor for the newsrooms.

Data sources for analysis include 1975 Congressional Investigations into Central Intelligence Agency (CIA) activities. One committee in particular, headed by Democratic Senator Otis Pike of New York, contains a section on CIA collaboration with the media. In this report, the committee documents how the CIA was given press passes by news offices so that agents could pose as journalists abroad, along with other assistance (House Select Committee on Intelligence, 1976). These details were confirmed and elaborated upon by a few seminal investigative journalism reports in 1977, notably an exposé by Carl Bernstein, one of the two reporters who broke the Watergate scandal, and an in-depth inquiry by a team of reporters at the *New York Times* (Bernstein, 1977; Crewdson and Treaster, 1977). These investigations were independently conducted and affirm key information. Between the Pike Committee report, CEO confessions, and other corroborating reports, intel confirms that “about twenty-five news organizations... provided cover for the agency” (Bernstein, 1977; Crewdson and Treaster, 1977).<sup>28</sup> This important information denotes the

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<sup>24</sup>Bernstein 1977 notes “from the CIA point of view, access to news film outtakes and photo libraries is a matter of extreme importance.”

<sup>25</sup>The Christian Science Monitor specifically was happy to provide memos.

<sup>26</sup>Schorr 1977:78

<sup>27</sup>Loory 1974: 17; Bernhard 1999:185; For example, the AP bureau chief in Prague spent two years in prison on espionage charges.

<sup>28</sup>The *NY Times* investigation identified twenty-two firms; In the Congressional Church investigations, Director William

approximate size of the group of firms that engaged in firm instrumentalization between the end of WWII and the investigative hearings in the 1970s. Furthermore, these sources identify the names of twenty six firms (Loory, 1974; Bernstein, 1977; Crewdson and Treaster, 1977). Such revelations, especially data on the near-complete set of cooperating firms, allows me to capture variation in the media firms that cooperated with the CIA and those that did not and makes possible a rare quantitative analysis on covert action.

To create a robust dataset for analysis, I compile the largest U.S. news and media firms operating between 1950 and 1970 that focused on foreign affairs or international politics. I assume that any news organization with the infrastructure and motivation to deploy foreign correspondents could plausibly have been approached by the CIA for cooperation. This assumption is supported by the data, which shows a diverse range of firm types and sizes among those instrumentalized. Notably, I do not observe which firms were approached and declined, nor do I know the CIA's precise selection criteria. Therefore, the results are best interpreted as investigating whether there is a strong correlation between realized instrumentalization and elite intelligence ties, rather than isolating a purely causal effect of leadership willingness to cooperate. This limitation raises potential concerns about selection bias, as unobserved factors influencing which firms the CIA targeted could shape the observed patterns of cooperation. I address this challenge in the analysis by controlling for observable firm characteristics such as firm size, and by complementing the quantitative study with strong qualitative evidence of the elite ties mechanism.

To examine if personal relationships are associated with firm instrumentalization, I manually identify individual executives for each firm. While there is variation in company leadership structures, the dataset is designed to include executives that bore the titles Chairman/Chairwoman, Publisher, President or Editor in Chief.<sup>29</sup> The final dataset includes information on 210 company executives, meaning that -on average- there are 1-2 executives per firm. The outcome variable is binary, based on whether each company was named as an instrumentalized firm. To capture personal relationships between firm leaders and intelligence elites I construct two distinct variables. First, I generate a binary elite education variable. The logic behind this metric is that future elites often gather in the intimate settings of selective colleges in the early years of their lives. In this environment, they form life-long friendships that they maintain in their future leadership roles (Brint and Yoshikawa, 2017; Brint et al., 2020). This variable is constructed based on whether an executive had any education at one of the eight Ivy-League schools. Since most firms have more than one executive listed in the dataset, I collapse the elite education variable at the firm level. Thus, if at least one firm executive attended an Ivy League school, the elite education variable is coded as 1. Over 62% of firms

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Colby explained to the Committee the managements facilitated the cooperation: "Let's go to the managements. They were witting." (Bernstein, 1977)

<sup>29</sup>There is variation in leadership structure from firm to firm and it is likely I have missed some influential figures but I have done my best to capture the top leadership and am confident the data is sufficient to test my theory.

meet this criteria, meaning the majority of firms had at least one Ivy League educated executive.

For the second variable, I turn to the early origins of the American intelligence community. The logic behind this metric is that I hope to capture participation in another environment where future elites forged close bonds through similar experiences with more precision than the general Ivy-League measure. During World War II, the US government set up new groups that would be responsible for intelligence operations and propaganda. These units became known as the Office of Strategic Services (OSS) and the Office of War Information (OWI) (The Office of War Information). The ranks of the OSS were filled with volunteers, many of them young boys from elite, east coast circles. The OWI was staffed by citizens with expertise in radio, news and psychological manipulation. Many individuals served in both the OSS and OWI before the war was over, indicating overlap in their functions and recruiting pools.<sup>30</sup> Additionally, both organizations only lasted a few years (1942-1945) and were disbanded after the conclusion of the war. Finally, many of their leaders would eventually become the heads of the nascent Central Intelligence Agency.<sup>31</sup> In 2008, the US government released all its files on the OSS, including a complete roster of participant names (Office of Strategic Services). Personnel records for OWI are also available (Office of War Information).

OSS and OWI data provide unique proxies for intelligence elite connections for two reasons. First, unlike the scholarship that relies on general education measures, participation in these organizations pinpoints a group of people working together within a precise time frame: 1942-1945. Furthermore, as previously mentioned, many of the key actors in these organizations transitioned into the new leadership of the Central Intelligence Agency. These leaders had been entrusted with the safety and success of their teams under heady circumstances, creating unique trust ties.<sup>32</sup> The fact that these same leaders ultimately helmed the CIA in subsequent decades provides strong plausible evidence for an early intelligence agency mechanism in facilitating firm instrumentalization. I construct an Executive Pre-CIA WWII Service variable based on whether or not an executive served in either the OSS or OWI during WWII.<sup>33</sup> I also use this data to generate a binary indicator of participation in either agency, collapsed at the firm level. Thus, if at least one firm executive served in either of these agencies, the variable denotes a 1. Across all firms, only 13.5 percent meet this criteria, meaning only a small number of firms had any executive participate in either of these organizations.

I include two additional variables to control for firm size and partisanship. The data on these variables is drawn from the N.W. Ayer and Son's Directory Newspapers and Periodicals 1969, a comprehensive national record of US news and publication companies. First, I include a firm-level partisanship variable

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<sup>30</sup>This was confirmed with archival research in the National Archives.

<sup>31</sup>For example, directors Allen Dulles, Richard Helms, and William Colby.

<sup>32</sup>For instance, both organizations had personnel who were assigned behind enemy lines in dangerous operations.

<sup>33</sup>The OSS and OWI variables were constructed by hand at the National Archives.

Table 5: Firm Characteristics and Likelihood of Instrumentalization

	<i>Dependent variable:</i> Firm instrumentalized (1/0)						
	All Firms			Small/Med. Firms			Non-broadcast Firms
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Logit coefficients (robust SE)</b>							
Executive covert-agency background	2.26*** (0.61)	2.16*** (0.61)	2.18*** (0.79)	1.77** (0.88)	2.04*** (0.68)	1.80** (0.91)	1.77*** (0.65)
Executive elite education	— (0.60)	0.67 (0.83)	1.25 (0.83)	— (0.71)	0.99 (0.85)	0.87 (0.85)	0.56 (0.59)
Firm political score	— (0.43)	— (0.43)	-0.09 (0.34)	0.12 (0.34)	— (0.39)	0.02 (0.39)	— (0.39)
Constant	-1.85*** (0.30)	-2.29*** (0.54)	-3.02** (1.25)	-2.85*** (0.94)	-2.78*** (0.65)	-3.16*** (1.14)	-2.19*** (0.51)
<b>Average marginal effects (AME, robust SE)</b>							
Executive covert-agency background	0.302*** (0.064)	0.286*** (0.064)	0.205*** (0.065)	0.150** (0.073)	0.230*** (0.067)	0.150** (0.074)	0.235*** (0.077)
Executive elite education	— (0.078)	0.088 (0.080)	0.118 (0.080)	— (0.080)	0.111 (0.073)	0.073 (0.073)	0.075 (0.078)
Firm political score	— (0.040)	— (0.030)	-0.008 (0.030)	0.010 (0.030)	— (0.033)	0.001 (0.033)	— (0.033)
Observations	111	111	94	89	103	89	106
Pseudo $R^2$	0.129	0.141	0.157	0.073	0.129	0.093	0.085
AIC	100.33	100.97	68.56	60.04	83.45	60.90	97.21
BIC	105.75	109.10	78.74	67.51	91.36	70.86	105.20

Notes: Robust (Huber–White) SEs in parentheses. Asterisks: \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . AMEs are discrete 0→1 changes averaged over the sample.

to capture political affiliations. The variable is constructed by examining the political affiliation variable of each paper as recorded in the 1969 Directory. For Democratic affiliation, the variable is coded as 1, Independent Democrats as 2, Independents as 3, Independent Republicans as 4, and Republicans as 5. Across all firms, the average political score is 3.1 (neutral). To capture firm size, I also include data on weekly circulation. I categorize newspapers into distinct brackets denoting their weekly circulation size: very low circulation (1-100,000) is coded as 1, low (100,00-500,000) as 2, average (500,000-1,000,000) as 3, moderate (1,000,000-3,000,000) as 4, and high circulation (3,000,000+) is coded as 5. In cases where specific circulation data is absent in the N.W. Ayer and Son's Directory, paper or media reach/viewership is researched online. Broadcasting companies are given a unique score in the data to set them apart from the newspapers.<sup>34</sup>

Table 5 presents the results of logistic regression analysis exploring the likelihood of firm instrumentalization across different samples, including all firms, small/medium firms, and non-broadcast firms, with robust standard errors and average marginal effects (AMEs) reported. While these models do not establish causality, the temporal ordering of WWII service preceding CIA instrumentalization strengthens the plausibility of a causal link. WWII covert-agency service consistently shows positive and highly significant coefficients across all models. Executive elite education shows a positive effect, but lacks significance.<sup>35</sup> The political score also lacks statistical significance. However, the results for the political leanings are more difficult to interpret for two reasons: 1) I do not have information on specific years of instrumentalization, and thus use a static political score that does not account for changes in firm or CEO partisanship over time, and 2) I have missing data where firm-level political information was unavailable, reducing the sample size in the models. Thus, the results on political leanings should be viewed in the context of their limitations. Constant terms are negative and significant across all models, pointing to a baseline tendency against instrumentalization. The average marginal effect result indicates that, at the firm average, shifting from 0 to 1 executives serving in a WWII intelligence agency is associated with a 30.2 percent increased probability of instrumentalization by the CIA. To account for potential bias due to the small sample size, Firth-Penalized Logit Estimates were run with consistent results (Firth, 1993; Rainey and McCasky, 2021). These results can be viewed in Table 10 in the Appendix.<sup>36</sup>

While the quantitative analysis demonstrates a robust association between executives' WWII intelligence agency experience and firm instrumentalization, it is important to acknowledge potential confounding factors

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<sup>34</sup>Very low circulation papers were excluded from the final analysis since they are significantly different in resources and reach.

<sup>35</sup>Due to Yale's significance as a CIA recruiting hub during the Cold War, a separate Yale variable was generated, accounting for whether at least one firm executive attended Yale for their education. The Yale results are insignificant and can be viewed in Table 11 in the Appendix.

<sup>36</sup>Firth-penalized estimators reduce bias in maximum likelihood estimates for small or sparse datasets, particularly in logistic regression, by adding a penalty term.

related to ideology that cannot be fully ruled out. Specifically, the data does not allow me to definitively disentangle whether individuals with stronger patriotic inclinations were more likely to be assigned to or self-select into wartime intelligence agencies during WWII. This raises the possibility that the observed effect of intelligence experience may partially capture pre-existing ideological predispositions, such as heightened patriotism or alignment with national security objectives, which could independently influence a firm's willingness to cooperate with the CIA. For instance, individuals with strong patriotic sentiments may have been more inclined to join intelligence agencies during the war and, later, more amenable to covert cooperation as firm executives during the Cold War. Additionally, the Cold War context, with its heightened anti-Communist sentiment, may have amplified ideological motivations, making it difficult to isolate the independent effect of personal relationships from ideological alignment. However, the primary role of elite ties in facilitating instrumentalization extends beyond mere patriotism. Personal knowledge of an individual's reliability, discretion, and willingness to cooperate—forced through shared experiences in intelligence agencies or social networks—provides a critical layer of trust and social pressure that ensures compliance with covert requests. These ties, rooted in direct personal interactions and mutual understanding, reduce agency slack and the risk of information disclosure, making them a more reliable mechanism than ideological alignment alone which may be ambiguous or strategically performed. The following case study of CBS provides qualitative evidence that personal trust and elite networks were primary facilitators, but also acknowledges potential interplay between ideology and intelligence agency experience in the US Media sector.

### 5.3 CBS Instrumentalization

To supplement my analysis, I also include an in-depth case study to further investigate the possible mechanisms facilitating firm instrumentalization in liberal market settings. An ideal case would meet the following criteria: First, the case would need to have sufficient information in the public domain to analyze the instrumentalization. Second, an ideal firm would have an extensive history with the CIA. A firm with close and long-held relationships with the CIA could provide sufficient volume of content to investigate how the instrumentalization was facilitated. Finally, an ideal case would include multiple executives that held similar company positions to repeatedly test my theory about personal relationships with intelligence elites. The best-case scenario would see variation in the executives and their willingness to cooperate with CIA instrumentalization so potential differences in the explanatory variables could be identified. Fortunately, the case of Columbia Broadcasting Station (CBS) meets these high analytical standards.

CBS was “... unquestionably the CIAs most valuable broadcasting asset” during the height of the Cold War (Bernstein, 1977; Schorr, 1977). The firm engaged in almost every known form of firm instrumen-

talization in use at the time, including knowingly “hiring” CIA agents to give them press cover, turning over images and recordings obtained abroad, allowing journalists to be debriefed and allowing use of CBS property for spying (de Wit, 2021; Schorr, 1977; Brown, 1977).<sup>37</sup> In an illustration of the magnitude and frequency of the instrumentalization, one CBS president even installed a direct phone line to the CIA that bypassed the CBS switchboard so he didn’t have to keep going outside to use a payphone (Bernhard, 1999). In sum, CIA instrumentalization of CBS was extensive and long-maintained. How do we know so much about covert CBS cooperation? In 1976, CBS President Richard Salant ordered a public investigation into CBS’s collaboration with the CIA to clear the air and confirm that the company was no longer connected with the Agency. This was in response to initial reports of arrangements between CBS and the CIA. As part of the revelations, the previous firm presidents went on the record to describe their roles in executing CIA requests and the motivations for their actions. There are four of these presidents, which offers multiple opportunities to test my theory: William Paley, Frank Stanton, Sig Mickelson and Richard Salant. Salant, the final president in my analysis, claimed that he curtailed CIA instrumentalization early in his leadership tenure. In a 1977 interview with the New York Times, Salant went on the record to declare that “when he became president of CBS News in 1961, he severed all the organization’s ties with the C.I.A.” that had been established by prior executives (Brown, 1977).<sup>38</sup> This provides some variation on the outcome variable (Table 6).

Table 6: CBS Firm Presidents in the Cold War Era

Name	Position	Cooperation Level
William Paley	Co-Founder; President of CBS (1928-1946); Chairman	Full Cooperation
Frank Stanton	President of CBS (1946-1971)	Full Cooperation
Creation of CBS News Division		
Sig Mickelson	President of CBS News (1959-1961)	Full Cooperation
Richard Salant	President of CBS News (1961-1964, 1966-1979)	Limited Cooperation

\*Fred Friendly had a brief tenure between Salant’s terms but he is barely noted in the company histories.

I investigate each of these firm leaders looking for evidence consistent with the role of personal relationships, ideology, and stick/carrot explanations in explaining firm instrumentalization. To identify strong support for my proposed mechanisms, I would need to find qualitative evidence that close relationships between elites, particularly trust in an executive, played a key role in the selection of CBS as a CIA instrument. I would also need to find evidence that the social relationships themselves played a key role in that trust and in the facilitation of the firm instrumentalization. Factors that influenced the decisions of Paley, Stanton, and Mickelson should provide evidence of what does facilitate firm instrumentalization. In contrast, since

<sup>37</sup>Schorr 1977: 275, 277, 278, 280.

<sup>38</sup>Investigative reporters suggest Salant did reduce CBS cooperation but there was likely some minimal help given (allowing CIA to still see photographs taken abroad, for example)

Salant limited CBS's instrumentalization, he provides variation in the outcome variable. Therefore, looking at the evidence for Salant's motivations should provide indications for what lessens the chances of successful firm instrumentalization.

The first potential mechanism for CBS's firm instrumentalization is the influence of institutional sticks or carrots. Although I predict these factors are primary drivers in more authoritarian contexts, I still assess their possibility in the CBS case. Did the government offer the firm contracts or bribes? Were any threats made? A close look at CBS during this time reveals some answers. First, examining interviews with the CBS presidents suggests bribes or payments were not a factor in instrumentalization and that "no money changed hands" (Brown, 1977).<sup>39</sup> For instance, when interviewed about the CBS-CIA connection and the potential role of financial inducements, William Paley only remarked that there had been discussions about the CIA funding the opening of a small branch abroad to provide cover, but the plans never came to fruition.<sup>40</sup> Similarly, Frank Stanton's file in the National Archives includes several letters where he accepted new assignments for the government during and after the war and in each of these emphasized he would not accept payment for his help. His emphatic request for no monetary compensation seems to suggest he considered the assignments to be a patriotic duty or act or service (Frank Stanton, b) and diminishes the chances he would have agreed to CBS's cooperation for profit-making reasons. However, it does seem that collaborating with the CIA was not without some benefits. Scholars of this media era note that annual dinners were held between CIA and CBS leadership in the 1950s. Other sources, including Sig Mickelson, underscore the information exchange benefits for CBS, noting that the CIA and CBS "exchanged and confirmed information" and that "both of them [were] out looking for information" from the other party (Bernhard, 1999).<sup>41</sup> These pieces of evidence, confirmed by both firm presidents and scholars, suggest there were at least some modest information benefits for CBS. However, it's less certain whether these were seen as game-changing benefits compared to other top news firms that also enjoyed elite political connections. The role of information benefits thus seems to be a piece of the puzzle but does not seem to be a main factor. Second, the evidence shows no indication that coercion or potential threats played a role in CBS's instrumentalization. Every point of participation appears to be entered into by CBS willingly. To further support this conclusion, I find no evidence that Salant or other firms that refused instrumentalization requests were ever penalized for their non-cooperation, even in the 1950s (the heyday of news instrumentalization). For instance, Bernstein reports that David Lawrence, head of US News and World Report, outright rejected the CIA's instrumentalization requests and was never

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<sup>39</sup>Comment by Salant

<sup>40</sup>One journalist suggested that, in a personal capacity, William Paley may have helped launder CIA funds through his charitable organization. Few details were given. The author believed Paley was extremely well trusted by the CIA in furnishing such additional personal services to them (Schorr, 1977, p. 278).

<sup>41</sup>Bernhard 1999: 184; Mickelson noted annual dinners with "top newsmen, top agency men, good talk and cigars, each side out for what it could get."

penalized (Bernstein, 1977). I thus conclude with reasonable confidence that ‘sticks’ were not a noteworthy factor in CBS’s instrumentalization by the CIA.

In my theory, I also proposed that ideological factors could play an important secondary factor in firm instrumentalization. In this case, the evidence does suggest ideology, specifically loyalty to country and a feeling of obligation to fight the Communists, was a motivating factor in CBS’s instrumentalization. William Paley stated on the record that the instrumentalization “was back in the early fifties, when the Cold War was at its height and where I didn’t hesitate to say ‘Okay it’s reasonable, I’ll do it’” (Schorr, 1977).<sup>42</sup>. Additionally, under Mickelson’s tenure, the feeling was that “anyone news gathering abroad who did not check in with a station chief as part of his rounds would have been remiss in the performance of his duty” (Bernhard, 1999).<sup>43</sup> Mickelson also personally remarked that “it was the Cold War...I didn’t raise an eyebrow about cooperating” (Barringer, 2000).<sup>44</sup> Finally, Salant offered similar remarks, casting his firm’s past behavior in the best light he could: “We can condemn cooperation with Federal agencies now, but we couldn’t then—there was the Cold War, and we were less sophisticated in those times” (Brown, 1977). However, as noted in the theory section, these comments should be scrutinized for potential bias, such as trying to provide the best possible ex-post justification for covert CBS entanglements. While these responses are consistent with comments made by other instrumentalized firms and involved individuals at the time, and thus seem genuine, the personal ties between firm leaders and intelligence leaders likely provided essential clarity about whether ideological loyalty was sincere and could be coupled with social pressures to ensure successful instrumentalization.<sup>45</sup> In sum, the evidence does suggest ideology as an added facilitator in CBS instrumentalization.

To test whether elite relationships were the primary factor in the CBS case, two strategies are adopted, consistent with the quantitative analysis. First, I assess the Ivy League education mechanism, the standard means of capturing elite relationships, examining whether CIA Directors and the firm presidents attended Ivy League schools. Second, I investigate my more precise mechanism, relationships with intelligence elites and specifically participation in WWII covert agencies. I also seek information on the role of trust in these personal connections in facilitating firm instrumentalization. The evidence for Ivy League education in facilitating elite ties is scant in the CBS case. On the CIA side, only one CIA Director between 1950-1970 attended an Ivy League school and that was the first Director Allen Dulles (Princeton).<sup>46</sup> Furthermore, amongst the three firm presidents that facilitated the firm instrumentalization, only William Paley attended some business schooling at UPenn in the 1930s. Frank Stanton and Sig Mickelson attended The Ohio State

<sup>42</sup>Schorr 1977:278

<sup>43</sup>Bernhard 1999: 185

<sup>44</sup>Referencing Mickelson quote in 1977

<sup>45</sup>Examples in(Loory, 1974): 15.

<sup>46</sup>“Allen W. Dulles,” Encyclopedia Britannica.

University (Stanton) and Augustana College and the University of Minnesota (Mickelson). In sum, amongst the Presidents and top CIA leaders that facilitated the CIA-CBS relationship, there is no indication Ivy League education played any key role. Rather, the only firm president who held multiple Ivy League degrees was the one who claimed to limit the instrumentalization: Richard Salant (Harvard). Such facts clearly show that Ivy League education is unlikely to explain the CBS case.

However, an investigation into my more precise elite ties channel—intelligence connections—proves more promising. Records show that William Paley served in the Office of War Information during WWII (Bernhard, 1999).<sup>47</sup> During his tenure, he served in multiple high-level roles: the supervisor “in the Mediterranean theater”, the “chief of radio in the OWI’s psychological warfare division” and eventually as deputy chief of the entire Office (Bernhard, 1999).<sup>48</sup> This offered him many opportunities to engage with the leaders of the emerging US intelligence services. Aside from his wartime connections, Paley also enjoyed a close social relationship with many of Washington’s intelligence elites. For instance, he often attended exclusive parties held in Georgetown and “enjoyed an easy social relationship” with first CIA Director Allen Dulles (Bernstein, 1977). When admitting that he helped the CIA at the agency’s request, Paley mentioned, in the most significant quote of the case study, that “formal agreements [between him and the CIA] about the nature or secrecy of the relationship... would have been unnecessary because social contacts, ‘the P and Q street axis in Georgetown,’ provided familiarity and trust based on common assumptions and values” (Bernhard, 1999; Bernstein, 1977).<sup>49</sup> This quote illustrates the mechanism put forward in the theory section—the idea that liberal market economies manage the risks of agency slack and information disclosure by selecting trusted personal connections to facilitate firm instrumentalization.

The second President of CBS between 1950-1970, Frank Stanton, was also neck deep in WWII covert agencies. Stanton served in both the OSS and OWI during the course of the war (Frank Stanton, a, 2024; Gough, 2006). He held a PhD in radio communications and psychology and was thus invaluable in the propaganda and psychological warfare arenas. Thus, Frank Stanton also had ample opportunities to forge close bonds with the leaders of both covert organizations. Third firm president Sig Mickelson did not serve in any WWII covert agency. However, Mickelson was Paley’s original liaison to the CIA and continued in the role through Stanton’s tenure (Brown, 1977). For instance, it was Stanton who, responding to Sig Mickelson’s complaints about regularly needing to use a pay phone to communicate with the CIA, “suggested that Mickelson install a private line, bypassing the CBS switchboard, for the purpose” (Bernstein, 1977). Thus, even though Mickelson did not himself participate in the OSS or OWI, he did create his own personal connections with CIA leadership during his many years as liaison. This overall does support my general

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<sup>47</sup>Bernhard 1999:35; His National Archive files show service in the “psychological warfare branch.”

<sup>48</sup>Bernhard 1999:28; “William S. Paley” Encyclopedia Britannica.

<sup>49</sup>Bernhard 1999:186

hypothesis about elite intelligence connections and the role of personal trust in firm instrumentalization. Richard Salant, the president who limited CIA cooperation, had no OSS or OWI background. Furthermore, Salant likely had little to no knowledge of CBS's CIA collaboration when he became the president and did not have a personal history with the CIA. This lack of personal friendships with CIA leadership, and especially lack of connection to the OSS and OWI, further supports my theory. Once a new president was installed who didn't have these connections, firm instrumentalization was reduced. In conclusion, the case study of CBS and its four presidents provides strong qualitative evidence of the role of trust and intelligence elite relationships in liberal market firm instrumentalization. The case study also suggests that ideology, specifically a feeling of duty and obligation to the country during the Cold War, was a supplementary factor, particularly at the peak of US instrumentalization in the 1950s.

#### 5.4 Data Limitations and Biases

In the Taiwan analysis, I chiefly rely on cases of instrumentalization that have been discovered or extensively investigated by government sources and older cases that have been documented through interviews by Huang Jaw-Nian. This biases the analysis toward companies engaging in instrumentalization at a higher volume and in a less covert manner, as they are easier to identify and investigate (China Times and CTiTV in particular). I also included the top eight, privately-held media firms in my analysis to maintain a degree of comparability across cases. As a result, the analysis pays less attention to medium-sized firms or those engaging in lower-intensity instrumentalization. These likely include outlets making small, incremental adjustments to content in order to satisfy guidance from Beijing's Taiwan Affairs Office, as well as firms that may have been instrumentalized but have not yet been publicly exposed. One challenge in the Taiwanese case is that Taiwanese law strongly protects freedom of expression, including pro-Beijing editorial positions. As a result, government investigations must meet a high evidentiary threshold—such as documented monetary exchanges—to justify prosecution.<sup>50</sup> This suggests that most instances of news instrumentalization in Taiwan remain undetected and unprosecuted, and that the most prominent cases likely represent the upper bounds—or most overt and aggressive forms—of firm instrumentalization. However, the consistencies between older, well-documented cases—such as China Times, United Daily, and Sanlih (SET)—and more recent exposés involving firms like ET Today lend confidence that the patterns identified here reflect broader trends in China's covert engagement with Taiwanese media.

In the liberal market economy analysis, I rely heavily on Bernstein's interviews with intelligence leaders, including Director Colby and others in the CIA, meaning Bernstein was (at least in part) receiving information that the CIA was willing to disclose to him. This warrants a discussion of bias in the US data.

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<sup>50</sup>Interview in Taipei, July 2024.

Once it became clear that Congress was going to investigate the CIA, William Colby and others realized it would be important to selectively leak certain information ahead of time in an attempt at pre-emptive damage control (Schorr, 1977).<sup>51</sup> This desire to reset the agency's reputation was aired by Director Colby in another contemporary interview. When a journalist asked whether Colby thought he "had been too candid about disclosing the agency's past sins" Colby responded: "No" . . . "I think it was best to get rid of the past and start to transition to a future structure of intelligence under the constitution" (Schorr, 1977). Such comments provide some confidence that Colby was interested in transparency. However, the CIA almost certainly was strategically selective in its revelations and I have two plausible hypotheses about potential biases in the data. First, I propose that Director Colby and others were more likely to reveal information about CIA-news relationships in the past, meaning they were no longer working together. At the time of the Pike Commission, the declassified report noted that at least fifteen media organizations were still working with the CIA in some way (House Select Committee on Intelligence, 1976).<sup>52</sup> It is likely then that Director Colby would draw attention to working relationships that were active and important in the 1950s and early 1960s but weren't as active in the current time period. Second, I propose that information was more likely to be revealed if the acquiescing CEOs were no longer heading the named news firms. Both these strategies would allow the firms and the CIA to better maneuver specific questions about current relationships or shift blame onto past leaders. I thus expect that the data uncovered in the Pike Commission report and pieces of investigative journalists in the mid-1970s are more likely to shed light on earlier instances of firm instrumentalization and to especially emphasize relationships with past firm executives. Finally, selection bias is a notable concern, as I cannot observe which firms the CIA initially approached but did not cooperate with. To address this, I have controlled for observable factors such as firm size, which are likely to correlate with CIA interest, to ensure that the results are not solely driven by the largest firms. While it is not possible to fully account for all sources of selection, the findings indicate that leadership ties are important predictors of cooperation in the US case and may offer a reasonable basis for tentative generalization and further investigation.

## 6 Generalizing Outside the US and China Contexts

While there is significant variety in market institutions globally, the US and China represent the theoretical poles of regimes with the highest degrees of control over market and political processes and the regimes with the lowest degree of control.<sup>53</sup> Thus, analysis of these two systems provides a sense for how firm

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<sup>51</sup>Schorr 1977:161

<sup>52</sup>The Unexpurgated Pike Report 1976: 152

<sup>53</sup>Examples of more extreme command systems include North Korea and Cuba, but there is not data to analyze them. China represents a very high level of control over market processes.

instrumentalization is likely conducted in other states. This is supported by numerous examples of the mechanisms in global cases, with elite ties tending to be more common in markets with more firm autonomy and institutional control appearing to be more frequently used in authoritarian contexts.

For instance, beyond the Taiwan setting, additional cases demonstrate that in the 1990s China instrumentalized firms in Thailand and Indonesia in an attempt to influence US elections, as investigated by the US Congress in 1998. These reports revealed that firm leaders provided illegal campaign finance donations and sought to sway American elections at the request of Beijing, and that the companies had long held “mutually beneficial” relationships with Chinese intelligence where they “received Chinese assistance in finding business opportunities in exchange for large sums of money and other help” (Committee on Government Reform and Oversight, 1999). This included continued financial support from Chinese firms—firms linked with Chinese intelligence in US investigations—that owned major stakes in the companies. This suggests that China’s use of economic sticks and carrots travels beyond the Taiwan case. Outside of China, examples from Cuba and the USSR, including airlines, stock trading companies, and news agencies, show little daylight between firm functions and state security functions, again illustrating the state’s coercive control. These cases also reveal a deep suspicion toward these firms abroad, as foreign leaders recognized the lack of independence between the state and business leadership and therefore exercised heightened caution in their dealings with such companies.

Other cases provide evidence for the importance of elite ties between firm leaders and intelligence elites. In another US policy era, the late 1930s, Juan Trippe, the President of Pan American Airways and a close friend of Secretary of War Stimson, was summoned to a White House meeting. There he was told the US was in a diplomatic and budgetary bind and was asked if Pan Am would “expand its network of landing fields and communications in Latin America “to accommodate [a new] defense program under a cloak of commercial activity” (Bender and Altschul, 1982).<sup>54</sup> Trippe agreed and the plan was executed, with his friend Stimson serving as the point of contact (Bender and Altschul, 1982).<sup>55</sup> Comparable patterns also emerge in the United Kingdom, where several major British newspapers—including The Sunday Times and Reuters—provided intelligence support similar to that of the U.S. newspapers examined in this study. These outlets were also led by individuals with deep intelligence backgrounds: for instance, Reuters’ general manager Gerald Long had served in the British Intelligence Corps until 1948, while Ian Fleming, a wartime MI6 officer, managed The Sunday Times’ foreign news service after the war (Read, 1998; West, 2009; Cavendish, 1990). In another example, when Israel’s intelligence chief, Isser Harrel, approached Israel’s flagship airline El Al to petition for help in extracting Nazi criminal Eichmann with a commercial plane, he approached his old friend Yehuda

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<sup>54</sup>Bender and Altschul 1982: 332

<sup>55</sup>Ibid: 331

Shimoni, the manager of the airline (Bascomb, 2009).<sup>56</sup> One case even illustrates how elite ties enabled firm instrumentalization in an extraterritorial liberal market context. Civil Air Transport (CAT), initially based in China and later relocated to Taipei, was founded by American entrepreneurs Claire Chennault—leader of the “Flying Tigers”—and Whiting Willauer (Leary, 1984). Their wartime experience, especially their ties to OSS officer Paul Helliwell, played a crucial role in CAT supporting covert CIA operations in Asia (Leary, 1984).<sup>57</sup> These included covert supply missions and airdrops to Tibetan resistance fighters and other anti-Communist groups outside the scope of formal U.S. military activity.

Finally, an interesting potential case of the elite ties mechanisms is found in contemporary Russia, which is characterized by a mix of market based and state-controlled economic processes. Although the intelligence behind U.S. accusations against Russia-based Kaspersky Labs remains classified, public statements emphasize clear evidence of facilitating connections between the company’s leadership and Russian intelligence (Nakashima and Gillum, 2017). For instance, Eugene Kaspersky, the firm’s founder and CEO, was himself a KGB operative in the Soviet era (Shaheen, 2017). Thus, it would not be wholly unexpected if that connection was used by Russia’s Federal Security Service (FSB) to activate the firm, or at least smooth the path for using the company for intelligence gathering abroad.

A final important dimension of generalizability concerns which states are most able to conduct firm instrumentalization, regardless of regime type. I argue while all states are theoretically capable of using firms as instruments of national strategy, larger economies that are more integrated into global markets are both more likely to engage in—and be vulnerable to—such instrumentalization. This is because their economic strength and global reach create more entry and exit points through which firms can operate, thus providing more opportunities for covert repurposing of existing commercial channels.

## 7 Policy Implications and Conclusion

This project defines and analyzes the phenomenon of firm instrumentalization—states engaging firms to use the cover of international commercial enterprise to conduct covert foreign operations. The widespread use of firm instrumentalization across regime types complicates existing understandings of the power dynamics between states and firms and shows that contemporary concerns about Huawei and TikTok mirror a long-standing geopolitical strategy. The primary contribution of this research is to provide evidence that firm instrumentalization has long been embedded in the international political landscape and to propose that the political institutions of the instrumentalizing state impact the ease, means, and likelihood of success of firm instrumentalization. The theory and analysis provide useful patterns in identifying why firms are selected

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<sup>56</sup>Bascombe 2009: 171

<sup>57</sup>Leary 1984: 70, 76–78

as agents of state policy and consistent themes in how firms are instrumentalized. This project also shows that multinational firms are not typical agents, providing benefits noted in the principal-agent framework but at a consistently global and highly-sophisticated level.

Understanding the prevalence and enabling patterns of firm instrumentalization offers valuable insights for both scholars and policymakers. It highlights that countries with dense ties to multinational corporations are not only best positioned to engage in firm instrumentalization but are also most exposed to it, due to their numerous points of global interaction. Furthermore, the findings suggest a reassessment of how the security risks posed by foreign firms are evaluated. While traditional approaches prioritize sector-based scrutiny, especially in sensitive areas like energy or technology, or a focus on state ownership, these findings suggest that two additional factors merit closer attention: the depth of a firm's economic entanglement with authoritarian markets, regardless of the location of its headquarters, and personal information about its executives.

The instrumentalization of firms—evident in historical cases such as British Airways Flight 149 and CBS's covert cooperation with the CIA—remains strikingly relevant today. By integrating a new theoretical framework with rigorous empirical analysis, this research reveals how multinational corporations serve as unique agents for covert state agendas, driven primarily by institutional coercion in command economies and elite networks in liberal markets. These findings advance our understanding of state-firm dynamics and call for a reexamination of how globalized corporate infrastructures may be leveraged for geopolitical ends. As states continue to exploit these commercial ties, future scholars and policymakers will need to better understand this strategy and craft more sophisticated safeguards to protect national security in an era of high economic interdependence.

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## Appendix Table of Contents

Title	Page
List of US News Firms in the Analysis	43
Table 7: US News Firms Data Sources	46
Table 8: Complete Sources for Table 8	46
Table 9: Firth-Penalized Logit Estimates	47
Table 10: OLS Regression Analysis	48
Table 11: Yale and Harvard Analysis	49

## News Firms in Analysis

- ABC
- Akron Beacon Journal
- Arizona Republic
- Arkansas Democrat-Gazette, Little Rock
- Associated Press
- Austin American-Statesman
- Boston Globe
- Business International Publishing
- CBS
- Chicago Sun-Times
- Chicago Tribune
- Christian Science Monitor
- Daily Herald
- Dallas Morning News
- Dayton Daily News
- Detroit News
- Dow Jones and Company
- DuMont Television Network
- Fodor's Travel Journalism
- Forbes
- Foreign Affairs
- Fort Worth Star-Telegram
- Fortune Magazine
- Frommer's Travel Journal
- Gannett Company
- Harper's Magazine
- Hartford Courant
- Hearst Newspapers
- Illustrated Daily News
- Las Vegas Review-Journal
- Lexington Herald-Leader
- Life Magazine
- Los Angeles Times
- McClatchy Newspapers
- Metromedia (TV)
- Miami Herald
- National Geographic
- National Review
- NBC
- New Haven Register
- New York Herald Tribune
- New York Post
- New York Times
- New Yorker
- Newsday
- Newsweek
- Oakland Tribune
- Omaha World-Herald
- Orlando Sentinel
- Philadelphia Daily News
- Pittsburg Gazette
- Richmond Times-Dispatch
- Ridder News
- Rochester Democrat and Chronicle
- Rocky Mountain News, Denver
- San Antonio Express-News
- San Francisco Chronicle
- Saturday Evening Post
- Scripps-Howard
- Seattle Post-Intelligencer
- South Bend Tribune
- South Florida Sun-Sentinel, Fort Lauderdale
- St. Louis Post-Dispatch
- St. Petersburg Times
- Star News Newspapers
- Star Tribune, Minneapolis
- Tampa Tribune
- The Atlanta Journal-Constitution
- The Atlantic
- The Birmingham News
- The Blade, Toledo
- The Buffalo News
- The Columbus Dispatch
- The Commercial Appeal
- The Courier Journal
- The Daytona Beach News-Journal
- The Denver Post
- The Des Moines Register
- The Detroit Free Press
- The Freeman
- The Fresno Bee
- The Honolulu Advertiser
- The Houston Chronicle
- The Indianapolis Star
- The Kansas City Star
- The Milwaukee Sentinel

- The Morning Call, Allentown
- The News and Observer, Raleigh
- The News Journal
- The News Tribune, Tacoma
- The Oklahoman
- The Orange County Register, Santa Ana
- The Oregonian
- The Palm Beach Post, West Palm Beach
- The Philadelphia Inquirer
- The Plain Dealer, Cleveland
- The Post-Standard, Syracuse
- The Press-Enterprise, Riverside
- The Providence Journal
- The Record, Hackensack
- The Roanoke Times
- The Sacramento Bee
- The Salt Lake Tribune, Salt Lake City
- The San Diego Union-Tribune
- The Seattle Times
- The Star Ledger
- The Tennessean
- The Times-Picayune, New Orleans
- Time Magazine
- Tulsa World
- United Press International
- US News and World Report
- Virginian Pilot
- Washington Post
- Washington Star

Table 7: News Firms Data Sourcing

Firm Name	Source(s)	Notes
NBC	Bernstein; New York Times Investigation	
ABC	Bernstein; New York Times Investigation	
The New York Times	Bernstein; Loory; New York Times Investigation	
Newsweek	Bernstein; New York Times Investigation	
Time Magazine	Bernstein; New York Times Investigation	
Life Magazine	Bernstein; New York Times Investigation	
Fortune Magazine	See Notes	
CBS	Bernstein; Schorr; Executive confessions; New York Times Investigation	
Copley News	Bernstein; New York Times Investigation; Trento and Roman Expose	
Louisville Courier-Journal	Bernstein; New York Times Investigation; Executive Confessions	
United Press International	Bernstein; Loory; New York Times Investigation	
Fodor's Travel Journalism	New York Times Investigation; Executive confession	
Reuters	Bernstein	
Saturday Evening Post (old)	Bernstein	
New York Herald-Tribune	Bernstein	
Hearst Newspapers	Bernstein	
Scripps-Howard	Bernstein	
Mutual Broadcasting System	Bernstein	
Washington Post	Loory and footnotes of Bernstein article	
Hornell, New York, Evening Tribune	Bernstein	
Christian Science Monitor	Loory; New York Times Investigation	
Miami Herald	Bernstein	
Washington Star	Bernstein; New York Times Investigation; Executive confessions	
Business International	New York Times Investigation; Executive confessions	
Associated Press	Bernstein; New York Times Investigation	
Wall Street Journal	New York Times Investigation	
Ridder Newspapers	New York Times Investigation	

Table 8: Table 7 Sources

Source	Reference
Bernstein	“The CIA And The Media.” Carl Bernstein. <a href="https://www.carlbernstein.com/the-cia-and-the-media-rolling-stone-10-20-1977">https://www.carlbernstein.com/the-cia-and-the-media-rolling-stone-10-20-1977</a> .
New York Times Investigation	“C.I.A. Established Many Links To Journalists in U.S. and Abroad.” 1977. The New York Times: 1, 40.
Loory	Loory, Stuart H. Columbia Journalism Review. New York, NY Vol. 13, Iss. 3, (Sep 1, 1974): 9.
Schorr	Schorr, D. Clearing the Air. 1977. Boston: Houghton Mifflin.
Trento and Roman	Jr, George Lardner, Michael Scherer, Amber Phillips, Justin Jouvenal, Ann E. Marimow, Meryl Kornfield, Mariana Alfaro, et al. 1977. “Copley News Accused of Old Links to CIA.” Washington Post.

Table 9: Firth-Penalized Logit Estimates

<i>Dependent variable: Firm instrumentalized (1/0)</i>		
	(1)	(2)
Executive covert-agency background	2.09*** (0.59)	2.07*** (0.73)
Executive elite education	0.61 (0.56)	1.02 (0.77)
Firm political score	—	-0.12 (0.59)
Constant	-2.19*** (0.49)	-2.58 (1.74)
Observations	111	94
Penalised log-lik.	-45.09	-28.14

*Notes:* Robust (OIM) SEs in parentheses. Asterisks: \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

Table 10: Executive Characteristics and Instrumentalization – OLS (LPM)

	All Firms			Small/Med. Firms			Non-broadcast Firms
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Executive covert-agency background	0.465*** (0.132)	0.448*** (0.133)	0.358** (0.157)	0.254 (0.166)	0.377** (0.149)	0.253 (0.167)	0.351** (0.150)
Executive elite education	—	0.081 (0.070)	0.101* (0.060)	— (0.064)	0.099 (0.064)	0.066 (0.059)	0.071 (0.071)
Firm political score	—	—	-0.005 (0.033)	0.010 (0.029)	— (0.029)	0.003 (0.029)	— (0.029)
Constant	0.135*** (0.035)	0.087* (0.050)	0.039 (0.094)	0.046 (0.074)	0.049 (0.042)	0.028 (0.077)	0.096* (0.051)
<i>R</i> <sup>2</sup>	0.159	0.168	0.149	0.067	0.137	0.078	0.097
Observations	111	111	94	89	103	89	106

*Notes:* Linear-probability models with robust SEs. Coefficients are percentage-point changes in the probability of instrumentalisation. Asterisks: \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

↓  
∞

Table 10 shows OLS regression results for the logit analysis. The results are consistent with Table but covert-agency background loses its significance in models 4 and 6, where political score is included. Overall, it reflects similar results to the logit analysis.

Table 11: Instrumentalization and Harvard/Yale Education

	(1)	(2)	(3)
Executive Yale	0.072 (0.710)	—	—
Executive Harvard	—	0.756 (0.533)	—
Executive Harvard or Yale	—	—	0.549 (0.517)
Executive covert-agency background	2.364*** (0.764)	2.243*** (0.724)	2.248*** (0.781)
Constant	-1.695*** (0.290)	-1.862*** (0.327)	-1.911*** (0.360)
Log pseudolikelihood	-50.034	-49.186	-49.476
Pseudo $R^2$	0.095	0.110	0.105
Wald $\chi^2(2)$	9.63	13.91	10.11
Prob > $\chi^2$	0.008	0.001	0.006
Observations	111	111	111

Notes: Logistic regression models with robust standard errors. Coefficients represent log-odds of paper cooperation. Significance: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .