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# An Economic Framework of Collective Action During the Korean War

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AN ECONOMIC FRAMEWORK OF COLLECTIVE ACTION DURING THE KOREAN WAR

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Dean of the Graduate School

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## **Dedication**

To those who believed in me when I could scarcely believe in myself.

AN ECONOMIC FRAMEWORK OF COLLECTIVE ACTION DURING THE KOREAN WAR

by

NICOLE CHRISTINE RUIZ, B.A.

THESIS

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## **Abstract**

Collective action, the coordinated effort between multiple actors, continues to play a role in the international community. In an increasingly complex operational environment, understanding the dynamics of these coordinated efforts is necessary for intelligence analysts. This research seeks to address the question: How can economic methodology be used to understand collective action during the Korean War for future use in intelligence analysis? The Korean War consisted of two different collective action groups going against each other militarily and ultimately diplomatically, which is why it is a suitable case study for understanding the nature of collective action. The research provides an example of how economic methodology can be incorporated into the production of intelligence analysis. The focus of this research is using qualitative economic methodology to develop a basic framework for understanding collective action. The research found that type of effort, the nature of the alliance, and the role of security as a type of good would influence the parameters of future economic models or theories regarding collective action.

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## Chapter 1: Introduction

The effectiveness of the United States Intelligence Community (IC) as a resource for decision makers is heavily dependent upon its ability to adapt. Part of this adaptation can include the review and improvement of current analytical techniques and tradecraft, which are the means of producing intelligence analysis from raw information. Adjusting analytical techniques and tradecraft to the contemporary security environment is particularly crucial to the relevance of the IC after decision makers have expressed dissatisfaction with recent intelligence products.<sup>1</sup> Intelligence analysis could benefit from simplified models found in some social science methodology to combat the complexity of the security environment and address the concerns of decision makers as consumers of intelligence analysis.

As a discipline whose practitioners function within similar operational environments rife with uncertainty and complexities, economics may provide unique insights for improving the process of conducting intelligence analysis. However, not all economic methodology is readily adaptable for use in analyzing national security matters because most theories were developed for business applications. This research will focus on understanding one element relevant to national security through an economic lens: collective action. As an effort that requires the organization of multiple actors around an objective or set of objectives, understanding collective

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<sup>1</sup> Decision makers can express dissatisfaction with intelligence products through the passing of legislation, formal review committees, and informal methods. Recent examples of decision maker dissatisfaction include The National Commission on Terrorist Attacks Upon the United States, otherwise known as the 9/11 Commission, and The Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction. The convening of these commissions is enough to express some dissatisfaction, but the subsequent reports of the commission provide the Intelligence Community more specific grievances and recommendations.

*The 9/11 Commission Report: Final report of the National Commission on Terrorist Attacks Upon the United States.* Government Printing Office, 2011.  
United States. Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction, Laurence H. Silberman, and Charles S. Robb. *Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction.* The Commission, 2004.

action is crucial for various aspects of security in the international community. Collective action in an interconnected world requires coordination between multiple actors at varying levels. Understanding how to organize these efforts and even understand the collective efforts of adversaries gives decision makers more information so they can act accordingly. Even though the composition and dynamics of the international community change over time, historical case studies provide a somewhat controlled setting for understanding the nuances of adapting methodologies from another discipline. This research seeks to answer the question: How can economic methodology be used to understand collective action during the Korean War for future use in intelligence analysis?

The increased interconnectivity within the international community translates to more opportunities and a greater need for cooperative efforts in the form of collective action. Collective action, for the purposes of this research, is defined as a unified and organized effort by a group of actors to achieve a specific objective, actors being any autonomous decision maker. Unified effort is not the equivalent of equal effort, so actors are not required to contribute the same amount of resources to the cause. Collective action can also include the use of physical, political, or economic force. In this research, state actors are given priority when constructing the collective action framework. Nonstate actors also operate within the global context of international relations and can contribute to collective action efforts; they are typically not involved in the decision-making process regarding policy, which limits their contribution to the group dynamic.<sup>2</sup> Although nonstate actors cannot contribute to policy discussion, they can still influence decisions within the international community and pose a threat to state actors. Terrorist organizations are an example of how nonstate actors can profoundly impact the security within a

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<sup>2</sup> Some nonstate actors can include international corporations, nongovernmental organizations, and transnational criminal organizations.

region and internationally. These organizations have their own structure and resources, which allows them to impact the international community and engage in physical conflict against state actors, depending on the strength of the organization. Nonstate actors can unify individuals against a perceived threat and even gain the acknowledgment of state actors.<sup>3</sup> However, state actors often form coalitions or implement policy to mitigate the threat, which is why they form the basis for this research.

Serving as the historical context, the Korean War provides a unique perspective on United States intelligence. The Korean War was the first major conflict since the establishment of the Central Intelligence Agency (CIA) in 1947, which would be the start of the greater civilian IC. The conflict on the Korean Peninsula would almost serve as a test for the newly founded civilian intelligence agency since the United States led collective action efforts in the region. The international community today is said to operate within a multipolar environment, a stark contrast to the mostly bipolar environment during the Korean War. Regardless of polarity, collective action focuses mostly on the nuanced interaction within a group of actors and how the interaction impacts the decisions made by the group. Since this research focuses predominantly on understanding collective action efforts of state actors through economic methodology, it may still prove useful to intelligence analysis. Although nonstate actors have become more prominent in international and national security, state actors have not lost their relevance. Nations continue to interact with one another, enact policy, execute military operations and have active intelligence agencies to combat transnational and domestic threats.

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<sup>3</sup> Once nonstate actors become involved with state actors, they cease to be nonstate actors and fall somewhere in between a state actor and a nonstate actor, often receiving the classification as a state-sponsored organization. For example, a terrorist organization that once acted independently and is later supported by a state government becomes state-sponsored terrorism. Another avenue for nonstate actors who receive positive attention from a state actor is being absorbed as part of the state's government functions, at which point they simply become part of the state and can no longer be classified independently.

Intelligence agencies at the federal level are tasked with ensuring decision makers have the information they need regarding security threats. In order to fulfill this function, intelligence agencies use a variety of techniques to analyze the current international environment and sometimes forecast potential occurrences. United States intelligence analysts are now required to abide by a set of standards agreed upon by decision makers and outlined in Intelligence Community Directive (ICD) 203. These standards are a response by IC leadership to address the dissatisfaction of intelligence consumers by requiring intelligence analysts to follow specific guidelines when producing analysis. Since the new standards increase the level of rigor expected from intelligence products, new and sometimes innovative techniques have been developed to assist analysts. Rather than developing a new technique, this research seeks to use economic methodology as the base for analyzing collective action to aid intelligence analysis efforts.

The process of conducting intelligence analysis and social science research is very similar with the notable difference being information availability. When an intelligence analyst does not immediately have access to information, they can request to have that information collected using various methods and tools. A social scientist must operate within the scope of openly available information; however, social scientists can create new information by conducting experiments to test or develop theories. Most intelligence analysts have short deadlines for their products, so they do not have the luxury of time to plan, prepare, and conduct experiments. Both professionals have their ways of dealing with information gaps. Once information has been processed or created, the analytical process is largely the same. Although the social scientist may not be able to access the classified information available to analysts, intelligence analysts can benefit from the work of the social scientist. Understanding how to borrow the techniques from other fields increases methodological diversity in intelligence analysis and may improve the

resulting intelligence product. Increased methodological diversity provides analysts the ability to choose the most appropriate method for the situation; increasing this diversity is possible by borrowing from other disciplines, such as economics.

The research found different situational components and how these components affect the function of collective action. Multiple actors operating together for a common goal can call into question motives and how that impacts levels of support. Other factors, including the objective of the collective effort, also impact analysis of the situation. Even within one effort, such as the security of the Korean Peninsula during the Korean War, the situation can have multiple dimensions. These multiple dimensions can be analyzed using economic theory to provide intelligence analysts better situational awareness regarding the subject of their analysis and potentially forecast the actions of another actor.

Excluding the introduction, this paper consists of seven other sections: intelligence, economics, Korean War, methods, event explanation, framework, and a conclusion. A literature review is spread out over the following three sections to discuss topics from the disciplines of intelligence and economics before providing a condensed history of the Korean War. Each of these units is given its own section because the various subtopics within each discipline and in the history encompass a broad spectrum. This division also makes the organization of the subtopics more concise and understandable. Following a thorough outline and explanation of the research design is the description of four major events from the Korean War and the construction of a qualitative framework for understanding collective action. Finally, a conclusion will summarize the findings and identify potential avenues for future research in this area.

## **Chapter 2: Intelligence**

Before the National Security Act of 1947 and the establishment of CIA, civilian intelligence had been reactive. Intelligence agencies up until that point were most active during times of war and disbanded after a war ended. A short-lived exception was the office Coordinator of Information (COI), founded in July of 1941, serving as a response to the growing tension in Europe and was “The nation’s first peacetime, non-departmental intelligence organization.”<sup>4</sup> However, the COI would not remain a peacetime organization for long and eventually transitioned into becoming the more commonly recognized Office of Strategic Services (OSS) a year later. The OSS was ultimately disbanded following the conclusion of World War II, leaving a peacetime intelligence gap. The passing of the National Security Act of 1947 filled this gap, and now the IC consists seventeen agencies, including those under the military branches, all of which operate in peace and when the country is at war. This section attempts to explain the nuances associated with intelligence and refine the operational definition for this research.

### **Intelligence Cycle & Procedural Failures**

The commonly accepted Traditional Intelligence Cycle serves as a simplified model of producing a distributable intelligence product through the process of analysis. A mostly requirements-driven process,<sup>5</sup> the Traditional Intelligence Cycle begins with the requirements set forth by decision makers or intelligence consumers.<sup>6</sup> The requirements or tasking stage is

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<sup>4</sup> Central Intelligence Agency. "The Office of Strategic Services: America's First Intelligence Agency." What Was OSS?

<sup>5</sup> Analysts are sometimes allowed to initiate a project without an explicit request to do so.

<sup>6</sup> Von H. Pigg, "Common Analytic Standards: Intelligence Community Directive# 203 and US Marine Corps Intelligence," 1.

followed by the collection of information, processing, and analysis of the collected information, ending with the dissemination of the final product. Dissemination of a completed intelligence product to the requester (i.e., decision makers and other intelligence consumers) brings the cycle around full circle, as illustrated below in Figure 1.

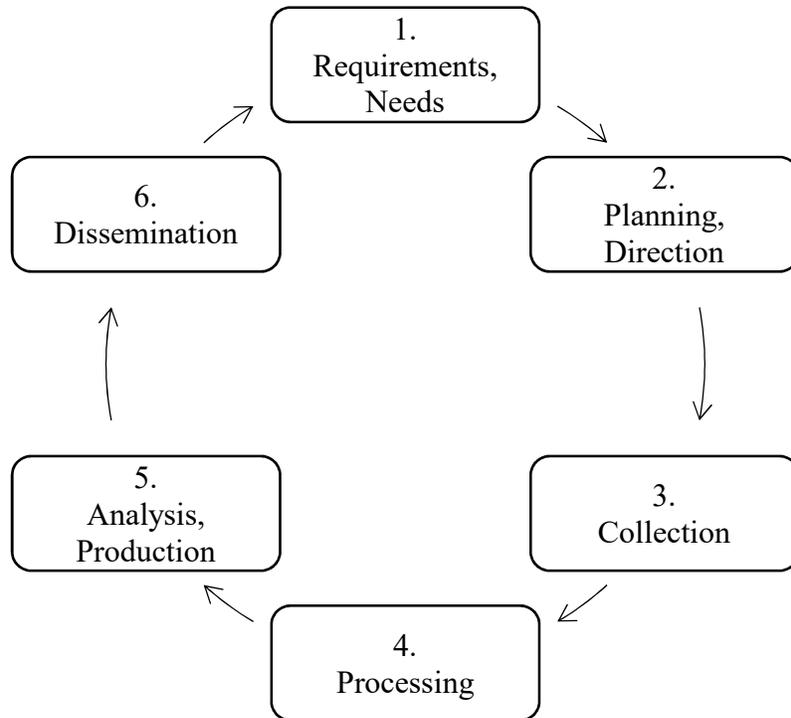


Figure 1. Traditional Intelligence Cycle

The Traditional Intelligence Cycle is sometimes criticized for being overly simplistic in its depiction of intelligence production. For the sake of simplicity, the Traditional Intelligence Cycle overlooks the relationship dynamics between analyst and consumer. This model also neglects the relationship and communication between intelligence analysts and their counterparts in collection and processing. Robert Clark, a critic of the prevalent circular model and former CIA employee, explains “The traditional cycle may adequately describe the structure and

function of an intelligence community, but it does not describe the intelligence process.”<sup>7</sup>

Instead, Clark proposes a Target-Centric model of the intelligence process to more accurately depict all levels of participant collaboration and responsibility sharing among participants.<sup>8</sup> The Target-Centric Model divides the analysis and intelligence collection roles, organizing them around a mission objective (i.e., target). The Target-Centric Model addresses the relationship and communication dynamics ignored by the Traditional Intelligence Cycle. Despite the limitations of the Traditional Intelligence Cycle, the circular model persists in intelligence and national security studies literature and serves as a framing reference for intelligence and national security research.

Each portion of the intelligence cycle has its respective methodologies; however, this research focuses on improving analytic methodology to improve the final product. The final intelligence product can vary depending upon whether it is strategic, operational, or tactical in nature. Strategic intelligence is concerned with long-term and forward-looking analysis, often containing forecasts; operational products are unique to specific operations and the corresponding planning; tactical analysis focuses on immediate problems that military or law enforcement personnel may encounter in the field. Another way to classify intelligence is by type of information provided. Some types of intelligence include Human (HUMINT – human sources), Communication (COMINT – communication information between individuals), and Imagery (IMINT - images), and Signals (SIGINT – information on transmissions between machines).<sup>9</sup> Different types of analysis may require different production methods, but the

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<sup>7</sup> Robert M. Clark, *Intelligence Analysis: A Target-Centric Approach*, 12.

<sup>8</sup> Ibid. 15.

<sup>9</sup> Robert M. Clark, "Perspectives on Intelligence Collection," 47-48.

primary objective of all analysis is to reduce the risk of uncertainties for decision makers.<sup>10</sup>

Intelligence products can fail to reduce uncertainty for consumers, but failure is not limited to the final product and can occur at all levels within the intelligence cycle.

### **Intelligence Failures**

Other versions of the intelligence cycle exist, but all are fundamentally the same and consist of producing a product for dissemination. Regardless of the structure, these models all have similar components: tasking, collection, analysis, and dissemination. These fundamental components can translate into opportunities for failure in intelligence production. Although Clark's Target-Centric Model alludes to the sharing of responsibility among all participants, including consumers, the allusion rarely seems to hold true. He claims that "Because all participants collaborate, there is no single point of failure... and the whole team accepts responsibility for the product." Even if an analyst successfully forecasts an event, it is possible for a decision maker to reject the forecast and not act on the provided assessment. If a decision maker chooses not to act on that information, the analysts must still share in the responsibility of the resulting failure because they did not provide convincing intelligence assessments.<sup>11</sup>

Intelligence failures can correspond to different aspects of the Traditional Intelligence Cycle. Each type of failure within the process of intelligence production has different implications and severity. Forecasting or analysis failures typically receive the most public attention, mainly due to media coverage. These types of failures are also more intricate than their counterparts because conducting analysis is complicated by challenges to intelligence analysis and the expectations of consumers. The United States IC was recently restructured after

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<sup>10</sup> Ibid. 8.

<sup>11</sup> Robert M. Clark, *Intelligence Analysis: A Target-Centric Approach*, 5.

experiencing two intelligence failures within two years. Both the IC and decision makers were surprised by the coordinated terrorist attack on 11 September 2001 (9/11). The second failure was the result of incorrect forecasting, leading to the Iraq invasion and Operation Desert Storm in 2003. The decision to invade Iraq was made based on an IC publication that claimed the government of Iraq possessed Weapons of Mass Destruction (WMD).<sup>12</sup> After the invasion, no weapons were found, and it was concluded that the IC provided decision makers with incorrect estimates. The two intelligence failures further cemented the need to reevaluate the structure and analysis standards of the IC, causing decision makers in oversight positions to mobilize in response to both events.

Since indicators of the 9/11 attack were present and not shared efficiently throughout the IC,<sup>13</sup> the successful attack was branded an ‘intelligence failure.’ This incident was a failure to forecast due to a communication or sharing failure between agencies within the IC. The case of Iraq’s alleged WMD cache was instead an analysis failure, where analysts were unable to overcome their cognitive biases to provide objective analysis. Politicization may have also been a factor in the analysis of Iraq’s possession of WMD because analysts were trying to provide decision makers with analysis that fit the preconceived ideas of the decision maker. These two incidents led to investigations of IC practices, taking the form of two reviews: The 9/11 Commission Report and The Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction (WMD Commission). Both commissions concluded with recommendations and requests for future analysis produced by the IC. The 9/11 Commission report focused on a lack of imagination contributing to the failure, while WMD

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<sup>12</sup> Central Intelligence Agency, “Iraq’s Weapons of Mass Destruction Programs.”

<sup>13</sup> *The 9/11 Commission Report: Final report of the National Commission on Terrorist Attacks Upon the United States.*

Commission recommended policymakers demand to know how analysts arrive at their conclusions.<sup>14</sup>

Furthermore, reform of the IC and intelligence analysis culminated in 2004 with the Intelligence Reform and Terrorism Prevention Act. The restructuring and reorganization of the IC also came with the creation of the Office of the Director of National Intelligence (ODNI). The ODNI replaced the Director of Central Intelligence<sup>15</sup> as the head of the IC. This restructure was enforced by Congress, an intelligence consumer, and represents a fundamental shift towards interagency collaboration for analysis production. The ability of an intelligence consumer to pass legislation represents a form of oversight because they can regulate the way intelligence is collected and even processed. In recent years, there has been a shift toward regulating intelligence analysis as part of this oversight function.

Intelligence agencies hold a monopoly over classified information in the country, so when a failure occurs, the IC effectively bears the sole responsibility. Other government entities may be responsible for providing specific information or analysis, but they do not hold a monopoly over the type of information used because they must operate within the realm of publicly available information. Intelligence agencies are also given privileges to obtain and utilize classified data secretly. Due to the monopoly and leniency regarding classified information, intelligence failures are given more attention because the public can interpret the

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<sup>14</sup> *Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction, The Commission.; The 9/11 Commission Report: Final report of the National Commission on Terrorist Attacks Upon the United States.*

<sup>15</sup> Prior to being replaced by the ODNI, the DCI served as both the head of the CIA and the entirety of IC. The establishment of the ODNI removed the duty of the heading the IC from the DCI, who is now only responsible for the CIA.

failure as a breach of trust between the public-government relationship. The severity of failures also contributes to this general sentiment.

### **Improving Intelligence Analysis: Increasing Rigor**

The response to the intelligence failures from the early 2000s is indicative of an imbalanced relationship between the consumers and producers of intelligence. Decision makers hold power over the IC, shifting the relationship heavily in favor of intelligence consumers. In the United States, decision makers consume intelligence products and largely drive the production process; they also serve in oversight roles to ensure the IC operates within the law. The IC responds to consumer demands, both regarding the initial tasking and providing the final product. Whether or not the consumer acts on the intelligence provided is outside the scope of most models and is not often considered an intelligence failure.<sup>16</sup>

Intelligence as a product is offered to aid in decision making. As the most representations of the intelligence cycle indicate, some demand for specific information initiates each product. This demand alludes to market dynamics regarding intelligence products, where decision makers represent consumers and the IC as a whole serves as the supplier. Consumer expectations influence the production, but intelligence analysts are still limited in their ability to meet some of these expectations. Some consumers might believe that intelligence is meant to discover the truth or predict events with a high level of accuracy. However, the fundamental purpose of the intelligence enterprise and its products is to reduce uncertainty for the decision maker. This

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<sup>16</sup> A failure to act on the part of a consumer may be considered a dissemination failure, where the right consumers were not given the necessary information. A failure of action by consumers may also be written off as unconvincing analysis. In both cases, the responsibility is shifted from the consumer to the IC.

disconnect between consumer expectations and analysts' ability can make it difficult for the IC to fulfill its mission.<sup>17</sup>

In an attempt to increase the level of accuracy, reformers recommended increasing the level of rigor found intelligence products. However, even increasing the level of rigor when conducting analysis does not guarantee more accurate products.<sup>18</sup> As a response to the demands of decision makers for more rigorous analysis products, the IC issued the ICD 203. ICD 203 served as a quality control checklist to establish universal analysis standards across all seventeen intelligence agencies. Table 1<sup>19</sup> below consolidates the criteria from ICD 203 regarding intelligence products. Since the Director of Central Intelligence approved these standards, ICD 203 represents a form of internal oversight in response to the demand of decision makers.

Table 1. ICD 203 Requirements Summarized<sup>20</sup>

<b>Criteria</b>	<b>Explanation</b>
Objectivity	“Analysts must perform their functions with objectivity and with awareness of their own assumptions and reasoning.”
Independence of Political Considerations	“Analytic assessments must not be distorted by, nor shaped for, advocacy of a particular audience, agenda or policy viewpoint.”
Timeliness	“Analysis must be disseminated in time for it to be actionable by customers.”
Based on all available sources of intelligence information	“Analysis should be informed by all relevant information available. Analytic elements should identify and address critical information gaps...”

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<sup>17</sup> An analyst's ability also includes information availability which is tied to the analyst-collector relationship and the collection capabilities regarding the problem at hand. Each step in intelligence production builds off those before it so analysis is dependent upon accurate collection and processing.

<sup>18</sup> Kristan Wheaton and Diane Chido. "Evaluating Intelligence."

<sup>19</sup> This same table was initially used to break down the components of ICD 203 regarding intelligence analysis products in a conference paper prepared for the 12<sup>th</sup> Annual Conference of the International Association for Intelligence Education (IAFIE), June 2016.

<sup>20</sup> J. McConnel, "Intelligence Community Directive Number 203: Analytic Standards," 2-4.

Implements and exhibits Analytic Tradecraft Standards	<b>Analytic Tradecraft Standards</b> <ul style="list-style-type: none"> <li>- Describe quality and credibility of sources</li> <li>- Express and explain uncertainties</li> <li>- Distinguish between underlying intelligence information and analysts' assumptions and judgments</li> <li>- Incorporates analysis of alternatives</li> <li>- Demonstrates customer relevance and addresses implications</li> <li>- Uses clear and logical argumentation</li> <li>- Explains change to or consistency of analytic judgments</li> <li>- Makes accurate judgments and assessments</li> <li>- Incorporates effective visual information where appropriate</li> </ul>
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### Challenges to Accurate Intelligence Analysis

ICD 203 was issued based on the assumption that explicitly requiring rigor from intelligence analysts would make intelligence products more accurate. However, this assumption ignores the inherent challenges associated with this line of work, some of which are attributable to the individual analyst, while other challenges are the result of active efforts on the part of a target or are inherent to the operational environment.

Cognitive bias refers to flawed reasoning based on an individual's mental models or heuristics.<sup>21</sup> Mental models are meant to simplify and shorten the time necessary to arrive at a conclusion. If an analyst is not aware of that these simplifications of are occurring, the result could be flawed analysis. It is possible to overcome or at least explicitly acknowledge these flawed reasonings. Assumptions based on heuristics contribute to the prevalence of cognitive bias in individuals. The intricacy of the problems posed to analysts can also make their judgments less reliable.<sup>22</sup>

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<sup>21</sup> Richards J. Heuer, *Psychology of Intelligence Analysis*, 111.

<sup>22</sup> Amos Tversky and Daniel Kahneman, "Judgment Under Uncertainty: Heuristics and Biases," 1130.

Most models of the intelligence cycle, including both the Traditional Intelligence Cycle and the Target-Centered View, fail to include or account for counterintelligence and covert operations. Counterintelligence is the process of hampering an adversary's ability to collect intelligence. Covert operations are missions carried out by the IC with plausible deniability as to the perpetrator of the mission.<sup>23</sup> Covert operations are not the equivalent of clandestine operations. Covert action emphasizes concealing the identify while clandestine operations focus on concealing evidence of the operation in the first place. For this reason, plausible deniability is necessary with covert action because if the operation is discovered to have occurred, it is not attributable to those who carried out the mission or those that ordered it in the first place. An action may be covert and clandestine in the sense that it is clandestinely pursued and covertly executed. Together, counterintelligence and covert operations contribute to denial and deception efforts, which contribute to the uncertainty of the operational environment.

When pursued by an adversary, denial and deception contribute to the difficulty in creating accurate and reliable intelligence analysis. Denial and deception can hamper accurate intelligence production by targeting collection and analysis efforts, respectively. Denial is concerned with the secrecy of any given operation and is meant to deny another actor access to information relevant to the operation. Deception is feeding wrong information to conceal intent or misguiding the analysis of another actor. Deception, denial of information, cognitive biases and a generally uncertain operational environment impede accurate intelligence analysis. However, analysts can select the appropriate technique, avoid the pitfalls of their own biases, utilize only the most reliable information, and they can still fail in reducing uncertainty for the decision maker.

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<sup>23</sup> Within the United States, only the CIA is responsible for covert operations.

Besides the challenges of individual actors, the issue remains not all events can be forecasted and can have tremendous impacts on analysis. These events may include the death of a prominent individual, whose death may bring about the overthrow of a current government. Analysts operate within a fundamentally complex and sometimes unpredictable environment, through no fault of their own. Conducting intelligence analysis is a challenging endeavor for a variety of reasons, but the process and methodologies can still be improved. An option for improving analysis is using structured techniques, either explicitly developed for intelligence analysis or borrowed from an existing discipline.

The purpose of adopting structured analysis techniques is to mitigate the effect of the aforementioned challenges for the analyst. Following the intelligence failures of the early 2000s, various structured analytic techniques were developed in to assist the analyst in achieving the newly established level of rigor. Rather than developing new techniques, it is possible to borrow from other disciplines and adapt the methodologies for use in national security scenarios. Intelligence and nonintelligence research do not differ significantly in their methods.<sup>24</sup> “Methodologies are developed to handle particular problems, and they are often unique to a discipline, such as economic or scientific and technical analysis...”<sup>25</sup> While methodologies are unique to disciplines, it is essential to recognize the overlap between disciplines, which warrants the sharing of methodologies. This overlap is especially true for multidisciplinary fields and professions such as intelligence.

In order to help improve intelligence analysis, this research proposes borrowing from a field that shares similarities with intelligence regarding the operational environment and the

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<sup>24</sup> Robert M. Clark, *Intelligence Analysis: A Target-Centric Approach*, 9.

<sup>25</sup> *Ibid.* 5.

relationship between consumer and producer: economics. Stephen Marrin and Jonathan Clemente note that “Economics may be the social scientific theory that most closely resembles the physical sciences, but even it has difficulty with precise explanations because of its assumptions of perfect information and rational behavior that rarely seem to occur in the real world.”<sup>26</sup> While traditional economic models make these assumptions, economic parameters can be altered to fit the situation accordingly.

### **Intelligence Analysis: Art, Science, or Craft?**

The scientific method of inquiry is a commonly accepted approach in both the hard sciences and the social sciences. The process of generating a hypothesis, followed by an experiment, an analysis of the results, and reporting the findings is the same throughout both types of science. However, the subject matter differs with the social sciences focusing on human behavior and the hard sciences, the physical world. Findings in hard science research are more reliable because the subject of their research remains constant; the subjects of social science research are continuously changing because human behavior is not entirely predictable. Regardless, the format of conducting research provides the foundation of structured approaches in both sciences.

Social sciences provide a structured approach to comprehending human nature but can hardly achieve the level of precision found in their physical science counterparts. Although the social sciences have more flexibility in their application, some practitioners and academics, debate whether social science methodologies are even appropriate for use in intelligence analysis and argue for an approach involving the refinement of intuition.<sup>27</sup> These two perspectives

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<sup>26</sup> Stephen Marrin and Jonathan D. Clemente, "Improving Intelligence Analysis by Looking to the Medical Profession," 717.

<sup>27</sup> Stephen Marrin, "Is Intelligence Analysis an Art or a Science?" 533-536.

illustrate the basis of what is often called the ‘Art versus Science’ debate in intelligence studies, where art refers to intuitive processes and science are the structured approaches, including those found in the social sciences. Many individuals fall somewhere in the middle of the debate and claim that intelligence analysis is a mixture of both art and science.<sup>28</sup> Similar debates in fields such as sociology and detective work expand the debate to include another section: craft.<sup>29</sup> The category of craft is meant to serve as a middle-ground between the two positions because while craft does have some structure, there is still an artistic component regarding what to include in the final product.

Identifying intelligence solely within one category—art, science, or craft – severely limits the scope of improvement in both the discipline and the profession. Rather than arguing for a strict model of either art, science, or even craft, acknowledging the blended nature of intelligence would be both more accurate and more beneficial. Josh Kerbel explains that a blended “alloy” model, “Would integrate art and science and yet forsake high art and hard science pretensions.”<sup>30</sup> Different aspects of intelligence can be categorized as art, science, or even craft. Analysts can determine which methods and models to employ, making the process more similar to a craft; however, some methods and models can be more scientific, depending on the information under analysis or the procedure of analyzing the information. Writing the final product would be a mixture of both art and craft. The craft element comes into play because the format of most

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<sup>28</sup> Ibid. 529-545.

<sup>29</sup> Howard S. Becker, "Arts and crafts."; Thomas A. Reppetto, "The Detective Task-State of the Art, Science, Craft," 5.

<sup>30</sup> Josh Kerbel, "Lost for Words: The Intelligence Community's Struggle to Find Its Voice," 105.

products is a pre-determined template, but the writing and the presentation of information is an art form.

Determining how to classify intelligence is necessary to understand how to best improve the analytic process. However, intelligence cannot be forced exclusively into one category because it is such a broad and diverse field, borrowing elements from various disciplines to fulfill its core objective. The multidisciplinary nature of intelligence makes it so that its categorization is fluid. Depending on the situation and the information available, intelligence can be either an art, a science, or a craft. Although these debates are useful as an intellectual exercise, ICD 203 emphasizes the use of structured techniques, so a purely intuitive approach when conducting analysis would not fulfill the requirements. This research focuses on improving the craft of intelligence and how to borrow methods and methodologies to improve the end product. The following section discusses economics as a discipline in greater detail, including foundational concepts, which help illustrate the potential of economic methodologies in developing a collective action framework.

### Chapter 3: Economics

Economics is fundamentally a social science that focuses on resource allocation and the decisions involving resources. Resources can have a broad interpretation and encompass anything from quantifiable resources, such as money or material, to less tangible resources, including effort or political capital. Since resources can have a broad interpretation, this allows for the applicability of economic methodology to a vast variety of situations, including those concerned with security. Historically, economics has played a role in national security since the beginning of the United States during the 1776 War of Independence in the form of economic intelligence.<sup>31</sup> Economic intelligence is a specific intelligence product that focuses on, “Collecting and evaluating information relating to resources and capabilities for production, economic vulnerabilities, and the availability of strategic commodities.”<sup>32</sup> However, economic intelligence provides a limited role of economics in national security since it focuses almost exclusively on resource analysis. During World War II, the role of economists briefly expanded when government economists assisted in preparations for negotiations, identifying high-value targets for bombing raids, estimating death tolls for both allies and adversaries, and producing economic intelligence.<sup>33</sup>

Another aspect of economics for intelligence could include decision analysis by focusing on the process through which actors make decisions. This aspect of the discipline and its accompanying methodology could prove even more useful to intelligence analysis by broadening its scope and exploring the methodological versatility. Before exploring decision analysis, this

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<sup>31</sup> Philip Zelikow, "American Economic Intelligence: Past Practice and Future Principles."

<sup>32</sup> Jerome Clauser, *An Introduction to Intelligence Research and Analysis*, 13.

<sup>33</sup> Mark Guglielmo, "The Contribution of Economists to Military Intelligence During World War II."

section explains the fundamentals of economics and the differences between qualitative and quantitative economics. The subfields of game theory, political economics, and defense economics are also each explained as they are relevant to the final framework. The reason these three subfields were selected is due to the nature of collective action. As the example from World War II indicates, it is possible to expand the role of economics in national security so that the application is not limited to economic intelligence. To better understand how to expand the role of economics, it is necessary to first distinguish between the discipline itself and the methodologies of the field. Applying economic methodologies to national security issues differs from economic intelligence because methodology focuses on the process of analysis as opposed to the type of analysis produced. Table 2 below summarizes basic economic concepts relevant to this research.

Table 2. Basic Economic Concepts

<b>Term</b>	<b>Definition</b>
Rationality	A conscious decision to choose the option that maximizes benefit while minimizing costs
Opportunity Cost	The cost associated with choosing one action over another
Utility	the benefit associated with an action
Comparative advantage	The ability to produce or provide something at a lesser opportunity cost than another actor
Absolute advantage	The ability to produce or provide more of a good or resource regardless of real and opportunity cost

Rationality is a behavioral pattern employed by economists as a parameter for economic models, which allows for forecasting an actor's behavior. For actors to be classically rational, they must calculate the cost benefit of every potential action and select the one that maximizes benefit while minimizing cost. However, the assumptions of a classically rational actor model are not considered realistic under most circumstances. Most actors are unable to or choose not to analyze every option available to them, rank order those options based on cost-benefit

maximization, and then choose the best or most efficient option. Due to the limitations of the rational actor model, economists may employ other behavioral patterns. A replacement to the traditional rational actor model is the parameter of compounded rationality. Compounded rationality differs from classical rationality in the sense that it acknowledges an actor has limited information regarding the costs and benefits associated with their actions. An actor operating under compounded rationality will choose accordingly based on their limited knowledge and preferences. Behavioral economics, a subfield of economics, explores other types of behavioral models by borrowing from the fields of psychology and sociology.

Any action can have an associated benefit or utility. There is a difference between total utility and marginal utility. When consuming a resource, marginal utility is the benefit of consuming one more unit of that resource. Total utility is the combined sum of all utility gained when consuming the product. It is possible for the marginal utility to be constant, increasing, or decreasing. Decreasing or diminishing marginal utility does not indicate negative total utility. Total utility may still increase while marginal utility decrease, but total utility does not rise at the same rate relative to marginal utility.

Comparative advantage partially explains why countries enter into trade agreements with one another. One country may have an absolute advantage in the production of two goods, but a second country may have a comparative advantage in the production of one good. When one country has a comparative advantage, both countries may benefit from specializing in producing the good in which they have a comparative advantage and engaging in trade. Trading with one another allows both countries to operate outside their original production and consumption limitations. The concepts of comparative advantage can extend beyond good production and

potentially apply to general situations involving the coordinated allocation of resources between two or more actors.

### **Qualitative v. Quantitative Economics**

Economic theory can be expressed and pursued through qualitative and quantitative means. Qualitative economics can lay the foundation for quantitative economic theory and can allow for more flexibility in their application and interpretation than their quantitative counterparts. An actor's rationality is an example of how qualitative or quantitative approach influences the interpretation of a foundational concept. Rationality regarding quantifiable resources or goods implies a more rigid definition of rationality to an actor. However, not all resources are quantifiable in the international community, and most are qualitative. Qualitative rationality can be more fluid than quantitative rationality because qualitative rationality is more dependent upon the goals of an actor. For example, a country that wants international recognition may take extreme stances other countries would perceive as irrational. North Korea's nuclear program is an example of this clash between definitions of rationality. Continued investment in the program when the government is unable to provide for its citizens without humanitarian aid may seem irrational to other countries. However, the North Korean government can use its nuclear program as leverage in negotiations or other international agreements.

The differences between qualitative and quantitative approaches do not inherently make one better than the other as a general rule. Instead, the differences make them more suitable for different types of situations. When data is not quantifiable or quantitative data is not available, qualitative methods may be an appropriate alternative. If quantitative data is available and there are methods and theories on how to process and interpret that data, then quantitative approaches may be used. This research utilizes a qualitative approach because of the flexibility it allows and

the limited availability of hard numerical data. However, economists can use both approaches in analyzing matters of national security.

### **Game Theory**

Game theory was initially developed as part of defense contracts from the federal government to understand strategic interactions.<sup>34</sup> Game theory is a method that simplifies a situation to understand the underlying components. Game attributes are divisible into two main categories: objective and gains. These game categories give the game unique characteristics and determine how actors will interact with one another. The objective can be divided into cooperative and non-cooperative games, while the gain structure is either zero-sum or non-zero-sum. Zero-sum games occur when whatever a player wins, the other loses. These game structures are similar to private goods in economics, which are defined by the consumption of a product one person impeding its consumption by others. The competitive implications of a zero-sum game prevent the objective from being one of cooperation and are more suited for noncooperative or competitive games. However, a non-zero-sum game may be either cooperative or noncooperative in the game's objective. Another element of game theory is the order of which decisions are made and can be either sequential or simultaneous. Sequential games occur when one actor makes a decision and sets the precedence for the decisions of other players. The simultaneous decision structure does not necessarily mean all players decide or act at the same time; instead, players make decisions without referencing or relying on the decisions of the other players.

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<sup>34</sup> Thomas Sandler, *Economic Concepts for the Social Sciences*, 34.

A common game applied in international relations is called the Prisoner's Dilemma and it demonstrates how operating within self-interest<sup>35</sup> with imperfect information will not result in the most desirable outcome for both parties and will often lead to the least beneficial outcome. Although a single-shot game is unlikely to result in the most desirable outcome, it is possible that the predicted outcome will change when conducting multiple games with the same actors. Multiple games may lead to different outcomes because they allow for different equilibriums as the actors learn and build off the strategies of the other, thus changing the level of imperfect information.<sup>36</sup> Two examples used to illustrate the Prisoner's Dilemma are an arms race between two countries and negotiations with terrorist organizations. It is possible to create either a matrix or a game tree to depict these scenarios visually. The matrix is best for understanding simultaneous games of imperfect information where both parties may be unsure which course of action the other will take. The game tree works best when at least one of the players has some information regarding the potential actions of the other or decisions are sequential.

As applied to an arms race, cooperation entails the limitation of arms production; noncooperation means the countries increase their weapons production. If one player cooperates while the other refuses to do so, the one that cooperates will receive fewer benefits than the one who remains non-cooperative. If both players choose non-cooperation, they both incur fewer benefits. In the negotiations scenario, countries who do not engage in negotiations under any circumstances, essentially predetermine the outcome of the game. Todd Sandler explains that

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<sup>35</sup> 'Self-interest,' as it is used in economics, is not the equivalent of 'selfish'; instead self-interest denotes a calculated response from an individual in regard to the expected benefit of a particular action and the potential cost, where cost can include the effect an action would have on others. Selfishness would not consider costs that impact others.

<sup>36</sup> National Research Council, *Intelligence Analysis: Behavioral and Social Scientific Foundations*, 69.

“Game theory captures the strategic interactions between terrorists and a targeted government, where actions are interdependent and, thus, cannot be analyzed as though one side is passive... [and] terrorists and governments abide by the underlying rationality assumptions of game theory, where a player maximizes a goal subject to constraints.”<sup>37</sup> It is possible to depict more complex games besides Prisoner’s Dilemma, but for international scenarios, difficulties may arise due to differences in perspectives. Different cultures will perceive costs and benefits in various ways, which can be a challenge for an outsider to understand. In these instances, economic methodologists may be more effective when working in conjunction with experts in the area under analysis. Below, Figure 2 depicts an arms race with imperfect information on both sides, while Figure 3 illustrates the negotiations with terrorist organizations where a terrorist group, the Islamic State of Iraq and Syria (ISIS) knows a state actor, the United States, will not engage in negotiations.

<b>(Player A, Player B)</b>		<b>Player B</b>	
		Cooperation	Non-cooperation
<b>Player A</b>	Cooperation	4, 4*	0, 5
	Non-cooperation	5, 0	1, 1

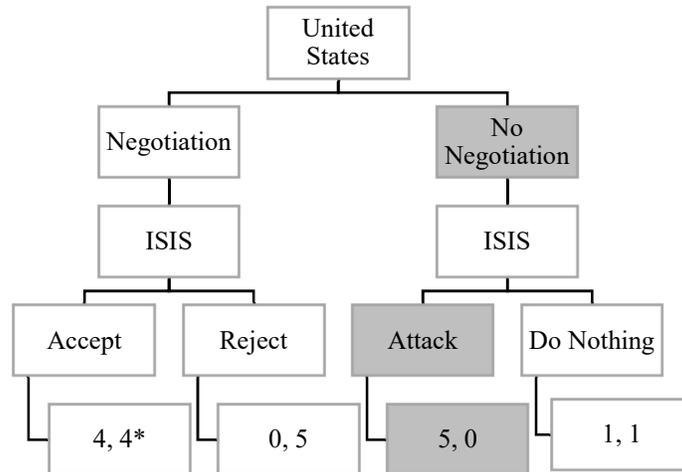
\* denotes the best outcome for both parties

■ denotes the likely outcome when both parties are acting in their self-interest

Figure 2. Game Matrix - Prisoner's Dilemma

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<sup>37</sup> Todd Sandler, “Terrorism & Game Theory,” 319-320.



\* denotes the best outcome for both parties

■ denotes the likely outcome when both parties are acting in their self-interest

Figure 3. Game Tree - Terrorism Negotiations

Strategies in game theory can be either stable or unstable, indicating whether or not a player can improve their situation by pursuing another strategy.<sup>38</sup> Individual strategies will vary depending on factors such as perception of the situation, expected benefit, behavioral model, objective, and motives. These strategies will help determine how a player will act. However, game theory has a slight difficulty in depicting deception because the deceived player must know in advance of their deception.

### Political Economy

Political economy is considered a multidisciplinary field of study and is part of this section because of how it utilizes economics. Political economy methodology is primarily based on economics, taking methods and rationale typically found in the broader discipline for use in political science situations.<sup>39</sup> Political economy incorporates both resource analysis and decision

<sup>38</sup> Emmanuel N. Barron, *Game Theory: An Introduction*, 119.

<sup>39</sup> Robert Gilpin, *The Political Economy of International Relations*, 8.

analysis in its methodology. Since the focus of this research is on decision analysis, the input from political economy studies is useful because it serves as an intersection between political science and economics. Within the political economy approach, state actors are widely considered to be the dominant actors. Bruce Buena de Mesquita is well known for challenging the focus on states in game theory to analyze issues of national security by researching how the country's leader or another prominent actor dictates the frame of reference for analyzing a state's actions.<sup>40</sup> However, this prior approach differs from the proposed ideas of this study. Instead of focusing on individual actors as the frame of reference, the study looks at how individual actors influence the actions of the group through their position and influence.

### **Defense Economics**

Defense Economics first appeared in scholarly work in the 1960s<sup>41</sup> and gained more traction in the 1990s; this renewal of interest of the subfield may be a result of the Cold War ending. The international community during the Cold War was bipolar, so the applications were limited. However, once the Cold War ended, the international community began to develop into a multipolar environment with various countries becoming prominent actors. Although scarcely recognized as a legitimate subfield in some economics circles, defense economics also provides a set of methods for intelligence analysts. The field encompasses various elements related to defense, which can range from resource allocation (e.g., defense budgets) to decision analysis in the form of interactions between various actors at different levels. Topics can also include more qualitative theories and methodologies.

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<sup>40</sup> Bruce Bueno De Mesquita, "Game Theory, Political Economy, and the Evolving Study of War and Peace."

<sup>41</sup> Charles Johnston Hitch and Roland N. McKean, "The Economics of Defense in the Nuclear Age."

One method, the economic theory of alliances, classifies security as a type of good; the type of alliance determines security's good classification. Two standard models in this theory are the pure public good model and the joint product model. In the pure public good model, the defense benefits are nonrival and nonexcludable among allies, whereas the joint product model acknowledges that there are some benefits which may be private.<sup>42</sup> Most economists have applied this theory to military alliances, such as the North Atlantic Treaty Organization, but it may be possible to adapt the theory to non-military organizations such as the United Nations (UN).<sup>43</sup> However, the context of this research continues the tradition of military operations and analyzes the UN during the Korean War and the non-organizational alliance between the Chinese, Soviets, and North Korea.

### **Combining Subfields**

Each of these subfields contributes to the overall analysis of Korean War collective action. Defense economics provides the concept of alliances based on security as a commodity within the international community, and political economics explains how individual actors can influence the decision process of a larger collective, while game theory gives a contextual understanding of the situation or event under analysis. The following subsection discusses the history leading up to the Korean War.

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<sup>42</sup> Todd Sandler and Keith Hartley, *The Economics of Defense*, 20, 30.

<sup>43</sup> Ibid. 20.

## **Chapter 4: Leading up to the Korean War**

The previous two sections explored the theoretical elements of this research project. As a contrast, this section focuses on providing the context by explaining the history leading up to the Korean War and the war itself. Understanding the history is crucial before attempting to generate the collective action framework because this research takes an inductive approach. The Korean War and the specific events, serve as the foundation and provide the practical element of the research.

### **Antiquity to World War II**

Interest from foreign governments in the Korean Peninsula stretches back to antiquity when multiple kingdoms ruled different portions of the Peninsula.<sup>44</sup> However, the Peninsula was not a unified government until the Yi Dynasty in 1392. Even during this period, foreign states took the opportunity to invade, illustrated the Japanese and Manchu invasions from the 16<sup>th</sup> and 17<sup>th</sup> centuries, respectively. There are several reasons for such intense attention on Korea as a country. Geographically speaking, the Peninsula is situated so that it serves almost as a bridge to either the mainland of East Asia or to the Japanese islands, which would explain the Chinese and Japanese invasions. As for Soviet interest, Korea represented a way to further exert power in East Asia without having to dominate the Chinese, which would have required a greater amount of resources. By the time World War II ended, the Soviet Union had already experienced defeat at the hands of the Japanese during the Russo-Japanese war and was ready for redemption.<sup>45</sup>

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<sup>44</sup> This time period is often referred to as the Three Kingdoms era. The kingdoms consisted of Baekje (southwest), Silla (southeast), and Goguryeo (north). Goguryeo encompassed the greatest amount of land and the territory extended beyond the Korean Peninsula into what is now China, north of the Yalu River.

<sup>45</sup> Shen Zhihua, "Sino-Soviet Relations and the Origins of the Korean War: Stalin's Strategic Goals in the Far East," 59.

The Korean Peninsula has struggled with national independence, other countries regularly attempting to intervene in their government or colonize the people. Historically, the Korean Peninsula had been under the influence of both the Chinese and Japanese but still managed to develop a distinct culture. The Yi Dynasty was the longest dynasty in Korean history, spanning a total of over 500 years from 1392 to 1910.<sup>46</sup> During this period, Korea experienced various invasions from the Japanese and Chinese, with Westerners attempting to expand their sphere of influence into the Peninsula as well. The physical invasions by the Japanese and the Chinese concluded with Korea still intact. However, the persistence of Western influence was particularly worrisome to Korean leadership from the 17<sup>th</sup> to the 20<sup>th</sup> centuries. This influence by Western countries would carry over through the end of World War II and would eventually split the Peninsula with an arbitrarily decided border.

Before World War II, Japan had colonized the Korean Peninsula after two major conflicts with China and Russia. First, the Sino-Japanese War (1894-1895) effectively decided Korea was an independent country, capable of being colonized and absorbed by Japan. The Russo-Japanese War (1904-1905) further cemented Japanese presence and control on the Peninsula. Throughout the period of Japanese Imperialism, the Korean people were subjugated and struggled against the repression. The struggle led to two major movements for Korean independence, led by Syngman Rhee and Kim Il-Sung, who later became leaders for a divided Korea.

### **After World War II**

Japan offered their surrender to Allied Forces 10 August 1945, which was accepted five days later by General Order 1; the United States accepted the surrender of forces south of the 38<sup>th</sup>

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<sup>46</sup> Geoff Simons, *Korea: The Search for Sovereignty*, 99.

Parallel, and the Soviets received the surrender north of the Parallel.<sup>47</sup> This division of the Korean Peninsula between the two superpowers would eventually lead to the Korean War. Since the end of World War II saw the end of a common enemy in the form of Nazi Germany for the United States and the Soviet Union, strains in the relationship between the two nations began to intensify. However, five years of political tension would build before the North Korean forces crossed the 38<sup>th</sup> Parallel to invade South Korea.

Two years after Japan's surrender, the UN established the United Nations Temporary Commission on Korea (UNCOK) November of 1947.<sup>48</sup> The purpose of UNCOK was to supervise the election of representatives to a National Assembly throughout Korea, which would then establish a unified national government. The efforts of UNCOK were thwarted to some extent when the Soviet-controlled North denied the commission's entry. Despite the refusal of the North to participate, South Korea elected 200 representatives May 1948 for the National Assembly, which ultimately elected Syngman Rhee as President of the Republic of Korea (RoK).<sup>49</sup> With a democratically elected government inaugurated on 15 August 1948, the United States military began preparing to withdraw entirely from the Peninsula. Despite the UN-supervised elections in the south, North Korea proceeded to establish the Democratic People's Republic of Korea (DPRK) in the late summer of 1948; Kim Il Sung took office 10 September as Premier of the DPRK.<sup>50</sup> Although both governments claimed jurisdiction over the entirety of the

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<sup>47</sup> General Order No. 1.

<sup>48</sup> United Nations General Assembly Resolution 112.

<sup>49</sup> Roy Edgar Appleman, Stetson Conn, Maurice Matloff and David F. Trask, *United States Army in the Korean War: South to the Naktong, North to the Yalu June-November 1950*, 4.

<sup>50</sup> *Ibid.* 5.

Korean Peninsula, the UN General Assembly recognized the RoK as Korea's legitimate government 12 December 1948.<sup>51</sup>

While South Korea was establishing itself as a democratic country, North Korean leadership consulted with the Soviets. Both countries seemed to believe that the only way to achieve a unified Korea was to wage war, one side dominating the other. Although this appears to have been the case, North Korea's Kim Il-Sung was more insistent. Il-Sung frequently met with Soviet leadership requesting permission to launch an attack but was repeatedly rejected. The Soviets, suspecting the United States and South Korea of preparing for an initial attack, sought to gain the support of the Chinese in the event of a war on the Peninsula.

Once UN forces, led by the United States, became involved the North Koreans were pushed up to the Yalu River in a matter of several months. However, Chinese forces from the People's Volunteer Army (PVA) had been amassing at the Yalu River border between China and North Korea. When UN forces reached the river, PVA forces crossed the border on the side of the North Koreans, effectively pushing back UN forces to the edge of the peninsula. After a decisive operation, UN forces were able to push back to the 38<sup>th</sup> Parallel but went no further. The combat years of the Korean War lasted just over three years, ending 27 July 1953 when the Armistice Agreement was signed. The Armistice did not end the war, but rather paused the active conflict, leaving the division of North and South Korea at the 38<sup>th</sup> Parallel and effectively creating two separate countries.

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<sup>51</sup> United Nations General Assembly Resolution 195.

## **Chapter 5: Methods**

The research design emphasizes the theoretical element because the primary goal is developing the framework for a qualitative theory of collective action. Given the nature of this study, most of the data collected is qualitative and in the form of primary source documents and some secondary resources. However, quantitative information is also incorporated when necessary and obtainable. The purpose of this section is to define essential terms from the research question and explain the research design of the study while also addressing the limitations and ethics involved with this kind of research.

### **Definitions**

Since this research is predominantly qualitative and combines elements from multiple fields, it is imperative that the terminology is thoroughly defined to avoid any confusion. Some sources of potential confusion are in the research question itself: qualitative framework, collective action, economic methodology and intelligence analysis. The confusion would not be between these phrases since they are distinct from each other, the issue lies with the potential for ambiguity. The objective of this research is to establish a qualitative framework, which means to create a conceptual structure based on qualitative theories from economics. As mentioned in the introduction, collective action in the context of this research is a unified effort by a group of actors to achieve a specific objective. Therefore, a qualitative framework for collective action is a conceptual structure based on qualitative theories found in economic methodology to explain collective action.

Methodology is the branch of knowledge referring to rationale, while the methods and models are specific techniques determined by the methodological rationale and procedures of a

field or subfield.<sup>52</sup> Economic methodology governs the methods found within the field with a specific rationale and set of procedures. The methods and models in economics are very similar to the techniques employed by intelligence analysts, while analytical tradecraft is essentially the methodology that governs intelligence analysis. Intelligence is used as an adjective to describe something related to the intelligence profession to minimize confusion between product and process. Intelligence analysis can be considered both a process and a product, depending on the context. However, this research uses the term in reference to the process; intelligence product refers to anything produced as the result of analysis. Table 3 summarizes and consolidates the previously explained definitions for each term.

Table 3. Term Definitions

<b>Term</b>	<b>Definition</b>
<b>Qualitative Framework</b>	Conceptual structure based on qualitative theories and models
<b>Collective Action</b>	A unified effort <sup>53</sup> by a group of autonomous actors to achieve a specific objective or set of objectives
<b>Methodology</b>	The rationale and logic that governs the procedures found in a specific discipline
<b>Economic</b>	Related to the field of economics or reference to an economy
<b>Economy</b>	Resources or wealth owned by a specific actor with particular emphasis on the production and consumption of those resources in a goods or services market
<b>Intelligence</b>	Related to the discipline, profession, or process of producing consumable intelligence
<b>Intelligence Analysis</b>	The process of analyzing raw information to generate intelligence products, which can then be distributed and consumed by decision makers
<b>Intelligence Product and Analytical Product</b>	The result of analyzing raw information and consolidating the findings into a report (e.g., intelligence memorandums and National Intelligence Estimates)

<sup>52</sup> S.L.T. McGregor, and Murnane, J. A. Murnane, "Paradigm, Methodology and Method: Intellectual Integrity in Consumer Scholarship," 420.

<sup>53</sup> Unified effort is not the equivalent of equal effort and the phrases are not used interchangeably. For an effort to be unified, equal participation is not a requirement; in many instances roles are divided within the group for the sake of efficiency.

## Research Design

The research design is inductive and begins with specific facts to formulate the basis of a general framework because a historical case study serves as the foundational context. Four events from the Korean War were selected for their potential contributions to unified theory and understanding of collective action are:

- 1950: North Korean Invasion
- 1950: UN resolution passed to intervene after the North Korean invasion
- 1950: Chinese cross the Yalu River in support of North Korea
- 1953: Armistice is signed

Both the UN resolution and the Chinese crossing the Yalu represent similar decisions regarding when to organize or join a collective action effort, while the initial invasion is representative of a limited collective effort based on perception. However, the UN is an international organization, and China is one nation so there are some differences in the decision-making process, which can impact the final decision. The Armistice is also relevant to a collective action framework because it is effectively a convergence of two separate collective action efforts.

These four events serve as the basis of the research and drove the data collection stage, which includes document acquisition and data organization. Document acquisition consisted of searches for primary source documents within United States databases and the UN archives. As the leader of the UN forces, the United States contributed to both the intelligence and military efforts. Document acquisition is limited to United States and United Nations documents initially published in or translated into English. Not all nations that participated in the Korean War as part of the UN published their documents in English and required translation at some points, which could have introduced miscommunication due to translation. Data organization consists of

grouping the information within each document under the specific event. In conjunction with the data collection stage, was a review of potential economic methodologies, which make up the economics literature review. Each event contributes to the overall collective action framework, and the analysis of the individual events is independent of one another. Although each event contains some contribution to the overall framework, the analysis does not build off previous events because each event did not occur immediately after its predecessor. Instead, the contribution of each event analysis is brought together at the end to describe the framework.

Although the purpose of this research is to generate a framework of collective action using economic methodology and emphasizes qualitative research, the research utilizes some quantitative data. The quantitative data comes in the form of troop composition for the UN side of the conflict. Analyzing troop composition consists of descriptive statistics of each country's contribution to the respective collective action efforts. Qualitative data, in the form of the UN Security Council Resolution 82 vote, was also quantified to include the resulting descriptive statistics. All documents were collected using open source methods, meaning they were available in the public domain, either physically or electronically. Due to declassification efforts in the United States, outside researchers now have access to previously classified material. Although previously classified, these documents are now considered open source information and are eligible for use in research. Any information from interviews is the result of another researcher publishing the full interview or using segments of the interview in their work.

Troop composition consists of calculating the percentages of troops within the UN effort, including South Korea. The data used for these calculations were from troop counts at the end of the war when the Armistice was signed. The reason for using the end troop numbers as opposed to when the collective action first started is to accommodate the potential mobilizing effect

throughout the conflict. The early information would also have ignored the difficulty in organizing efforts domestically within each country. Qualitative data from the UN Resolution 82 vote was coded in such a way that the country was assigned a number for their membership status, resolution vote, and troop contribution for the South Korean war effort. Since membership on the UN Security Council consists of rotating and permanent members, rotating members are assigned a 0 and permanent members a 1. The vote consisted of three instances: absence (0), abstention (1), and in favor (2). Finally, troop contribution was either no (0) or yes (1). These assigned numbers are nominal and are used to calculate percentages of within the decision, but do not hold any significance regarding their order or value. There are some limitations in regards to both the utilized data and research design, which the following subsection addresses. Due to the classification of Chinese, Soviet, and North Korean documents, full estimates were not obtainable for the North Korean alliance and were not included.

### **Limitations**

Even though this study is more concerned with theory, the research design makes it so that the data will impact the theoretical component to some degree. The limitations explained in this section are in regards to the data utilized and the research design rather than the limitations of the resulting framework. However, framework limitations are included at the end of this paper. Data limitations are in regards to the selection of information and documents, while design limitations involve effectiveness of the data analysis process.

Regarding data, limitations include those related to information availability, language restrictions, and biases. Given the nature of intelligence and national security research conducted by outside parties, one of the main data limitations is regarding information availability, which includes classification of documents and initial documentation. Although the active combat years

of the Korean War ended over sixty years ago and the United States government has increased declassification efforts, some documents may still be unavailable in the public domain. Information regarding North Korean, Chinese, and Soviet troops is limited and hinders a descriptive analysis of the collective action composition. In contrast, the composition of South Korean and UN forces is transparent and readily available for use in research. Some documents remain classified by nations and even the UN, but this research focuses on developing a flexible framework, and the negative impact is minimal. Besides information still being classified, some information may not have been documented in the first place.<sup>54</sup>

Tied to the issue of information availability is the restriction to English documents or English translations. Such a language restriction naturally skews the data towards having a Western slant because not all documents were translated or initially published in English. Translations also carry any biases of the translator and are reflective of the translator's skill. Translation is not an exact science, and literal translations do not carry the same impact as the original language, meaning the translator included their own understanding or ignored the linguistic nuance altogether. Related to the effects of language restriction is the potential for cognitive bias, defined as a flaw in the cognitive processes.

Two biases that are likely to occur because this research utilizes a historical case study are confirmation and hindsight bias. Specifically, these include confirmation bias and hindsight bias. It is possible to introduce confirmation bias when new information is either accepted or dismissed based on preconceived hypotheses on the part of the analyst.<sup>55</sup> Hindsight bias occurs when a past event is scrutinized under the current understanding of the situation as opposed to at

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<sup>54</sup> Michael Warner, "Sources and Methods for the Study of Intelligence," 17-27.

<sup>55</sup> Richards J. Heuer, Jr., *Psychology of Intelligence Analysis*, 108.

the time of the event.<sup>56</sup> Although confirmation and hindsight bias reflect the personal bias of a researcher or analyst, a compounding effect can occur when using intelligence products and the corresponding information. However, the data does not negatively impact the theoretical integrity of the resulting collective action framework, thus minimizing the impact of these limitations.

Research design limitations stem from the historical nature of the case study, which makes it more susceptible to cognitive bias. The use of primary source documents and information in the analysis portion is meant to mitigate the effect of bias. However, most of the information found in reports is qualitative and therefore contains the bias of the initial author. The flexibility of the final framework is meant to compensate for some of these limitations because the framework is not meant to be a complete theory. Instead, it is a starting point for future research in this area and can be modified and adapted to various academic and practical scenarios.

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<sup>56</sup> Ibid. 161.

## **Chapter 6: Event Explanation and Analysis**

The following two sections borrow elements from the previously discussed economic subfields and uses them to generate a framework for understanding collective action, after first explaining the history and providing context for each event. Unlike previous game theory research, this study will attempt to explore multidimensional games while borrowing from various other economic methodologies in the process. The idea is to create a model that has cooperative games occurring simultaneously within a noncooperative game. The Korean War lends itself well to this game structure because although only two main forces were opposing each other, each of those forces were the result of cooperation from multiple countries. In this case, the overarching game of noncooperation comes from the two opposing sides, while the cooperative games occur between allies (e.g., United Nations forces).

### **North Korean Invasion**

The CIA forecasted the possibility of North Korea's invasion as early as February 1949, contingent upon the removal of United States troops from the Peninsula. This initial report also alludes to South Korean forces being unable to defend themselves in the case of an attack: "In contrast, continued presence in Korea of a moderate US force, would not only discourage the threatened invasion but would assist in sustaining the will and ability of the Koreans themselves to resist any future invasion once they had the military force to do so and, by sustaining the new Republic, maintain US prestige in the Far East."<sup>57</sup>

The report was published after consulting the other intelligence agencies of the Departments of State, Navy, Air Force, and Army. Within the original assessment was an appended dissent from the Army's Intelligence Division. This dissent claimed that the

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<sup>57</sup> CIA Consequences of US Troop Withdrawal 1949, 1.

withdrawal of troops would not be deciding factor of a North Korean invasion on the South.<sup>58</sup>

The dissent goes on to reject other claims regarding the capabilities of South Korean forces, the likely perpetrator of an invasion on the Korean Peninsula, and the influence of political and economic factors.<sup>59</sup> The dissent concludes “an invasion of South Korea by North Korean forces is a possibility rather than a probably at the present time.”<sup>60</sup> Another report disseminated seven days before the invasion also forecasted the same possibility of a North Korean invasion on the South.<sup>61</sup>

Although the war had yet to be declared, skirmishes along the Parallel became common in the first half of 1950, but suddenly ceased May of 1950, only one month before DPRK launched a full-scale invasion 25 June 1950. After the initial invasion by North Korean forces, it took the UN two days to agree upon a resolution to provide aid to South Korea. The resolution passed the Security Council vote while the Soviet representative was refusing to participate.

### **UN Intervention**

During the Korean War, the UN consisted of 60 total member nations, 11 of which were on the Security Council. When the UNSC voted to intervene on behalf of RoK 25 June 1950, the Soviet Union was not present and did not vote. UN Security Council Resolution 82 was the first resolution addressing the invasion by North Korea. UNSC Resolution 82 identified the invasion

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<sup>58</sup> Ibid. 7

<sup>59</sup> The Intelligence Division of the Army argued that South Korea was more likely to instigate violence on the Peninsula, South Korean Forces were stronger than those of the North, and that political and economic factors would be more decisive influences on the future of the Korean Peninsula.

<sup>60</sup> The ambiguous definitions of ‘possibility’ and ‘probability.’ These words and other words of estimative probability are often defined at the beginning of intelligence reports now. However, during the Korean War era, the process of producing intelligence products was less exact.

<sup>61</sup> United States, and Harry S. Truman Library, *Baptism by Fire*, 9.

as a breach of peace, called for an immediate end to the hostilities on the Peninsula, and withdrawal of North Korea's armed forces north of the 38<sup>th</sup> Parallel.<sup>62</sup> The resolution ended in a 9 to 0 vote among the remaining ten countries, with Yugoslavia abstaining. Of the permanent members present for the resolution vote, all of them voted in favor, but only three contributed to the troop count on the side of RoK. These three contributors were also the only contributors from the Security Council, leaving the contribution at 33% of the countries that voted in favor of the 25 June 1950 resolution. Below, Table 4 summarizes the data and the highlighted portions are the decisions of the permanent members of the security council to the furthest point of their contribution in terms of voting and actual troop contribution.

Table 4. UN Security Council Action

<b>Country</b>	<b>Membership (0= rotating; 1= permanent)</b>	<b>25 June 1950 Vote (0= absence; 1= abstention; 2= for)</b>	<b>Troop Contribution (RoK) (0= no; 1= yes)</b>
China	1	2	0
Cuba	0	2	0
Ecuador	0	2	0
Egypt	0	2	0
France	1	2	1
India	0	2	0
Norway	0	2	0
Soviet Union	1	0	0
United Kingdom	1	2	1
United States	1	2	1
Yugoslavia	0	1	0

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<sup>62</sup> United Nations Security Council. Resolution 82.

Tables 5 and 6 provide the composition of troops by participating country.<sup>63</sup> On the one hand, Table 5 lists the seventeen total nations with their troop count that participated in the Korean War as part of the UN when the Armistice was signed, including the RoK. On the other hand, Table 6 is the composition only of UN Forces at the conclusion of the war and makes a note of those countries which voted in favor of UNSC Resolution 82. Other UN nations contributed humanitarian aid during the war but were not included in the troop count because they were not actively engaged in the fighting and humanitarian aid does not require the presence of personnel. Between the RoK and the United States, they contributed the bulk of the war effort with over 95% of troops came from either country. Isolating the UN Forces from those of RoK, the troop composition is still heavily reliant on the United States, which made up over 88% of the UN war effort. Although the UN consisted of 60 member nations at the time, only 16 contributed making the participation rate approximately 26.67% of the General Assembly.<sup>64</sup>

Table 5. Republic of Korea and UN Forces

<b>Country</b>	<b>Troop Count</b>	<b>Percentage</b>
Republic of Korea (RoK)	590911	63.3435%
United States	302483	32.4251%
United Kingdom	14198	1.5220%
Canada	6146	0.6588%
Turkey	5453	0.5845%
Australia	2282	0.2446%
Philippines	1496	0.1604%
New Zealand	1385	0.1485%
Ethiopia	1271	0.1362%
Greece	1263	0.1354%
Thailand	1204	0.1291%
France	1119	0.1200%
Colombia	1068	0.1145%
Belgium	900	0.0965%

<sup>63</sup> Data for both tables retrieved from "USFK United Nations Command." United States Forces Korea. <http://www.usfk.mil/About/United-Nations-Command/>.

<sup>64</sup> If the nations that contributed humanitarian aid are include the percentage goes up to 35%.

South Africa	826	0.0885%
The Netherlands	819	0.0878%
Luxembourg	44	0.0047%
<b>Total</b>	<b>932868</b>	<b>100.0000%</b>

Table 6. UN Forces

<b>Country</b>	<b>Troops</b>	<b>Percentage</b>	<b>1950 UNSC Membership (0= no; 1= yes)</b>
United States	302483	88.4564%	1
United Kingdom	14198	4.1520%	1
Canada	6146	1.7973%	0
Turkey	5453	1.5946%	0
Australia	2282	0.6673%	0
Philippines	1496	0.4375%	0
New Zealand	1385	0.4050%	0
Ethiopia	1271	0.3717%	0
Greece	1263	0.3693%	0
Thailand	1204	0.3521%	0
France	1119	0.3272%	1
Colombia	1068	0.3123%	0
Belgium	900	0.2632%	0
South Africa	826	0.2416%	0
The Netherlands	819	0.2395%	0
Luxembourg	44	0.0129%	0
<b>Total</b>	<b>341957</b>	<b>100.0000%</b>	

Given the discrepancy between the voting and participation, there appears to have been a free rider issue within the structure of the UN. Countries may agree on a problem and at the same time, not necessarily be willing to participate in the solution. Even though the Korean involved the two superpowers and other prominent countries, it was still a regional conflict with limited implications for international security.

### **Chinese Cross the Yalu**

The CIA framed the intelligence of the war on the United States' side by stating in an intelligence memorandum, written June 28, 1950: "The invasion of the Republic of Korea by the North Korean Army was undoubtedly undertaken at Soviet direction and Soviet material support

is unquestionably being provided.”<sup>65</sup> Focusing on the Soviet hand in the conflict may have led to decision makers not taking the threat of Chinese involvement seriously. In another memorandum written August 22, 1950, the CIA acknowledged, “The invading forces might become involved in hostilities with the Chinese Communists. As it became apparent that the North Koreans were being defeated in South Korea, the Chinese might well take up defensive positions north of the 38<sup>th</sup> parallel.”<sup>66</sup> Despite these forecasts, China could not appear to act offensively against UN Forces without endangering its newly acquired position within the UN Security Council and the broader international community.

Since General MacArthur was most familiar with the East from his exploits during World War II, he was placed in charge of leading the UN Forces. Given his ambitious nature, he was also given precise instructions by President Truman when the decision the United Nations forces decided to push towards the Yalu River. These instructions included that no forces would cross the Manchurian or the Soviet borders and that only South Korean troops could approach either of these borders and there should not be a violation of either country’s airspace.<sup>67</sup> However, these conditions fell under scrutiny when General MacArthur pushed UN Forces further north towards the Chinese-Korean border at the Yalu River, which caused the Chinese to cross the border to support the North Korean war effort.

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<sup>65</sup> United States, and Harry S. Truman Library, *Baptism by Fire*, 37.

<sup>66</sup> *Ibid.* 40.

<sup>67</sup> Edwin P. Hoyt, 1990. *The Day the Chinese Attacked: Korea, 1950: The Story of the Failure of America's China Policy*, 75.

## Armistice is Signed

During negotiations, the military situation remained reasonably stable since UN Troops had retaken Seoul in March and Negotiations began 10 July 1951 but did not conclude until the signing of the Armistice 27 June 1953.<sup>68</sup> The peace talks continued on and off for over two years, the main reason for contention was the POW exchange. Throughout this period, India encouraged both sides to reach a compromise. Stalin's death on 5 March 1953 was thought to have helped bring about the end of the war. The election of Eisenhower in the 1952 Presidential election could have also been a contributing factor in bringing about an end to the negotiations. President Eisenhower's history as a commanding general during World War II may have also sped up negotiations. With all these factors in place, it is difficult to pinpoint which was the deciding factor in reaching an agreement. However, the signatories to the Agreement Concerning Military Armistice include:

- Kim Il-Sung, Marshal:
  - o Democratic People's Republic of Korea Supreme Commander
- Peng The-Huai, Commander
  - o Chinese People's Volunteers
- Mark W. Clark, General
  - o United States Army Commander-in-Chief, United Nations Command
- Nam Il, General
  - o Korean People's Army Senior Delegate, Delegations of the Korean People's Army and the Chinese People's Volunteers
- William K. Harrison, Jr., Lieutenant General

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<sup>68</sup> United States, and Harry S. Truman Library, *Baptism by Fire*, 18-19.

- United States Army Senior Delegate, United Nations Command Delegation

The Armistice was not meant to be a permanent solution to the war. The purpose of signing the Armistice was the end the active hostilities by all parties involved,<sup>69</sup> which were effectively at a stalemate since mid-1951 and negotiate the return of Prisoners of War (POWs) until a more permanent resolution could be reached. However, the issue remains unaddressed to this day, and the Korean War technically has not ended.<sup>70</sup>

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<sup>69</sup> Although the Soviets had provided assistance in the form of military resources and some pilots, they had distanced themselves even further after the Chinese became involved.

<sup>70</sup> Recently, an agreement was signed by the two leaders from North and South Korea as a promise of negotiating a treaty to officially end the war. However, the issue remains unresolved at the time of this research.

## **Chapter 7: Consolidated Framework**

The framework is not an economic model or theory, but rather an example of how to utilize and combine existing theories in an application suitable for intelligence analysis. The framework presented here cannot be used either for explanation or prediction. For the framework to have predictive or explanatory properties, assumptions would have to be provided based on the situational context. Many of the assumptions for a Korean War model of collective action would be unique to the Korean War. Today's international environment has changed dramatically and has the potential to change further. Constant shifts within the international community would require a constant update or modification of assumptions within the model. A Korean War model of collective action cannot be used to forecast collective action regarding terrorism. However, the correct assumptions can alter a basic collective action framework based on observations from the Korean War.

### **Applying Economics**

The purpose of entering an alliance is to raise the collective capabilities of all member countries. This reason is why countries enter trade agreements, which are essentially market or economic alliances. The logic remains the same or similar for military alliances, but the objectives differ. Market alliances are meant to increase consumption, while military or security alliances increase collective security capabilities.<sup>71</sup> Motives and objects factor into the decision of entering an alliance. However, motives are not the same as objectives. Motives are the guiding force or reasons behind actions and objectives are the end goal for a particular action. Actors may have the same objective, but different motives for engaging in collective action efforts. In an organization, it is possible for one actor to drive action within that organization, which would

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<sup>71</sup> Assuming security is the objective of the alliance.

shift the decision analysis of that organization more towards that dominant actor. Even though one actor heavily influences decisions, dissents are still possible and less prominent actors can still influence decisions, especially when backed by other dissenters. India serves as an example of a minor actor influencing or attempting to influence the larger UN during the Korea War and saw mixed success in its endeavors. India’s most significant success came in the form of helping negotiate the prisoners of war issue as part of the diplomatic action that took place among the military efforts.

### **Collective Defense and Collective Security**

In the case of the Korean War, two sets of collective actions occurred simultaneously against each other: UN Forces against the North Korean alliance. Each of these represents different types of collective action, which fall into the categories of collective security and collective defense, which are summarized in Table 7. Collective security focuses on maintaining peace and uses military efforts when all other forms of action have failed. Conversely, collective defense is concerned with the exertion of force.

Table 7. “Collective security vs. collective defence”<sup>72</sup>

	<b>Objectives</b>	<b>Membership</b>	<b>Threat</b>	<b>Preferred instrument</b>	<b>Durability</b>	<b>Internal structure</b>
<b>Collective defense</b>	Preserve the balance of power	Limited and exclusive	External and identified	Military	Temporary	Hegemonic
<b>Collective security</b>	Overcome the balance of power and forge a security community	Open and inclusive	Internal and not identified	Diplomatic and military as last resort	Permanent	Equality

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<sup>72</sup> Recreated from: Roland Dannreuther, *International Security: The Contemporary Agenda*, 117.

The level of collective action became more involved throughout the war, particularly regarding the North Korean alliance. The UN intervention had a base level of collective action at the start because of its organizational structure. The UN Security Council requested specific levels of support from members of the UN. The North Korean Alliance did not have this base level because it was an unstructured form of collective action, indicating that the type of alliance has an impact on how the collective plays out within a game context. At first, North Korea relied on the assumption that the United States and the international community would not become involved. If the international community had not become involved, the only form of collective action during the war would have been the slight support from the Soviets, assuming the Soviets would not have become emboldened by the United States' absence from the conflict. Dannreuther explains, "Collective security is a form of collective insurance against the occurrence of a violent attack on the system and the core principles underpinning the system."<sup>73</sup> The UN is essentially a peaceful organization, but the Security Council allows it to act militarily. Dannreuther goes on to say "The use of force within a collective surety system is required only when the institutions of peaceful change... break down and an act of aggression takes place."<sup>74</sup> North Korea invading the UN occupied south and ignored the UN's call to end hostilities, precipitated a military response from the UN.

### **Type of Effort: Diplomacy, Military Action, and Humanitarian Aid**

Within the context of the Korean War, several types of collective actions occurred: military, diplomatic, and humanitarian. Distinguishing between the two is important because they vary in their objectives and overall strategy. Military action is inherently a noncooperative

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<sup>73</sup> Ibid. 117.

<sup>74</sup> Ibid. 118.

zero-sum game, where the objective is to win through the use of overwhelming force. Diplomacy is not physically violent and involves representatives of a country or alliance meeting to discuss terms or courses of action, making it a cooperative game of negotiation. These two types of action can be carried out by individual actors or groups of actors. Engaging in one type of action does not exclude or limit efforts in the other. In fact, military and diplomatic efforts can be pursued simultaneously, with military success used as negotiating leverage.

Analyzed in a game theory context, diplomatic and military action fall under two separate categories due to their different objectives. The purpose of diplomacy is to reach an agreement, while military action is naturally antagonistic with the goal of conquering or subjugating another nation. Military collective action involves the use or apparent use of physical force upon another individual actor or group of actors. When military and diplomatic efforts are not synchronized, the chances for miscommunication and misinterpretations increases, particularly by adversaries, which can make an adversary's actions less predictable.<sup>75</sup> Most military operations are classified as zero-sum games because the objective of military action is to beat out the adversary.

However, some diplomatic situations can also fall under zero-sum games, so the distinction between diplomacy and military efforts does not necessarily correspond to a specific game structure. There may be patterns related to type of effort and game structure, but the game structure is ultimately unique to the situation.

Humanitarian aid represents another form of collective action. Although humanitarian aid can be an organized and cooperative effort, it cannot be framed as a cooperative game between those providing and receiving aid. Humanitarian aid lacks the dynamic relationship found in military and diplomatic efforts. With military and diplomatic action, the efforts are multi-

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<sup>75</sup> This lack of predictability can sometimes be interpreted as irrationality. However, an actor can be acting rationally within their frame of reference.

directional in the sense that there is interaction between all parties involved. Humanitarian aid does not have the same dynamic interaction, which limits the application of game theory as a framing tool.<sup>76</sup> Humanitarian aid is also difficult to analyze using traditional and more contemporary economic models because there is not always an explicitly defined objective or motive.

These three types of effort have different relationships with the other actors involved. Military efforts and diplomacy are both two-directional with dynamic interaction between the parties involved; however, the direction of exerted efforts differ. Humanitarian effort remains more simplistic with a one-directional relationship. Figures 4 through 6 illustrate the differences between the three types of efforts, using the Korean War Coalitions as the example actors.

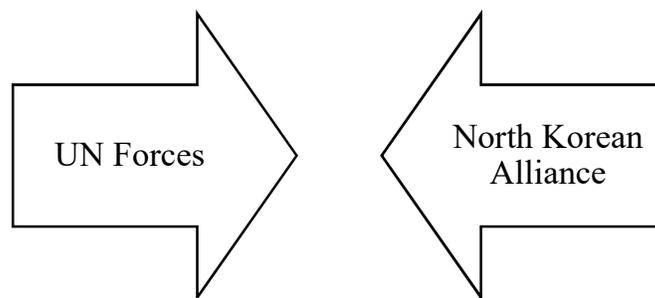


Figure 4. Military Action



Figure 5. Diplomacy

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<sup>76</sup> Game theory can be used to analyze the collective action efforts between those coordinating the contribution of aid, but not the interaction between contributors and recipients of that aid.

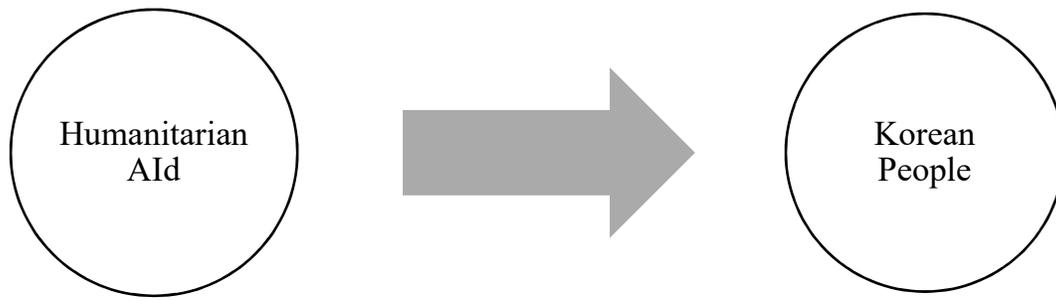


Figure 6. Humanitarian Aid

### **Organizational versus Nonorganizational Alliances**

Within an organization, members are held to certain expectations regarding behavior and contributions. The organizational expectations could explain why permanent members of the UN Security Council<sup>77</sup> contributed to the war effort. Organizational efforts are also more susceptible to group-think, where an individual or handful of prominent and outspoken actors influences the judgment of a group. During the Korean War, the United States was the prominent actor within the UN and used its position as a superpower to influence other members. Although united through formal agreements, the North Korean alliance was less cohesive as a collective action unit than UN Forces.<sup>78</sup> The Soviet Union kept its distance while the Chinese at first appeared reluctant to participate. Documents released from Soviet and Chinese archives indicate Stalin's hesitance to engage United States Forces actively.<sup>79</sup>

The classification of security as a good determines the nature of an alliance, whether or not the alliance occurs within an organization infrastructure. The organizational infrastructure

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<sup>77</sup> Excluding China and the Soviet Union.

<sup>78</sup> UN Forces were united and operated under the leadership of the United States. However, the entirety of the UN was not in agreement with how to handle the situation on the Korean Peninsula, India being a prominent opponent to United States diplomacy and political strategy during the course of the War.

<sup>79</sup> Kathryn Weathersby, "The Soviet Role in the Early Phase of the Korean war: New Documentary Evidence."

adds another set of parameters to the model for the process of taking action. An issue with the economic theory of alliances is the underlying assumption that security is the driving force for actors to joining together. However, this assumption only holds true for military and collective defense alliances or when a group of actors is engaged in joint military operations. This theory may require some alterations when addressing United Nations efforts during peacetime operations.

### **United Nations**

The UN represents a collective security institution because it focuses on protecting global peace and only becomes military involved when it has exhausted diplomatic options.

As an international organization, the UN serves as a higher organizational unit for the international community because it consists of numerous state actors. Although the United Nations is ultimately an international peacekeeping organization, the Security Council and the Military Staff Committee in the charter also give the organization military legitimacy. Chapter V, Articles 23 – 32 are concerned with the function of the Security Council while Chapter VII, Articles 39 – 51 explain the procedure regarding threats to peace and acts of aggression. The reason for military legitimacy mainly stems from Chapter V, Article 25 which states, “The Members of the United Nations agree to accept and carry out the decisions of the Security Council in accordance with the present Charter.”<sup>80</sup> However, even with this military legitimacy, the UN differs from military alliances such as NATO, which are typically designed to have a limited scope and geographic sphere of influence.<sup>81</sup>

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<sup>80</sup> United Nations. Charter of the United Nations and Statute of the International Court of Justice.

<sup>81</sup> NATO has recently been expanding past its original military alliance role and becoming more of a regional or interest-based international organization.

## **North Korean & Allies**

The North Korean allies during the war consisted of the Soviet Union and China. This alliance stemmed from a variety of agreements between the three countries, both of which dates back to 1945. Predating the Korean War, the Soviet Union and China had signed the Sino-Soviet Treaty of Friendship and Alliance on 14 August 1945. This agreement ultimately removed Soviet access to the strategic warm-water port of Lushun and the Chinese Eastern Railway. Both of these concessions stripped some power from the Soviets, making the Korean Peninsula a viable alternative for their strategic interests. For this reason, the Soviets demanded part of the Peninsula following the end of World War II, and the relationship between North Korea and the Soviet Union was cemented by General Order No. 1.

China was not directly affiliated with North Korea through any formal agreements, which is why the North Korean alliance during the war is considered nonorganizational. Instead, the Soviet Union and the Sino-Soviet Treaty of Friendship and Alliances acted as a connection between China and North Korea. Figure 7 illustrates the relationship between the three countries and the agreements that allowed their alliance to culminate. The relationship between China and North Korea was not two-directional in terms of an alliance bound by agreements or treaties, with the Soviet Union acting as a mediator and facilitator. This unequal dynamic where communication is limited, or there is a lack of formal agreements between parties of an alliance, can be an indication of an unstable relationship. The instability does not have to occur due to the relationship between the actors with limited communication and may originate from the median actor. The Soviet Union sought to capitalize on China's geographical proximity to the Korean Peninsula and general interests in the region by requesting China's alignment with North Korea.

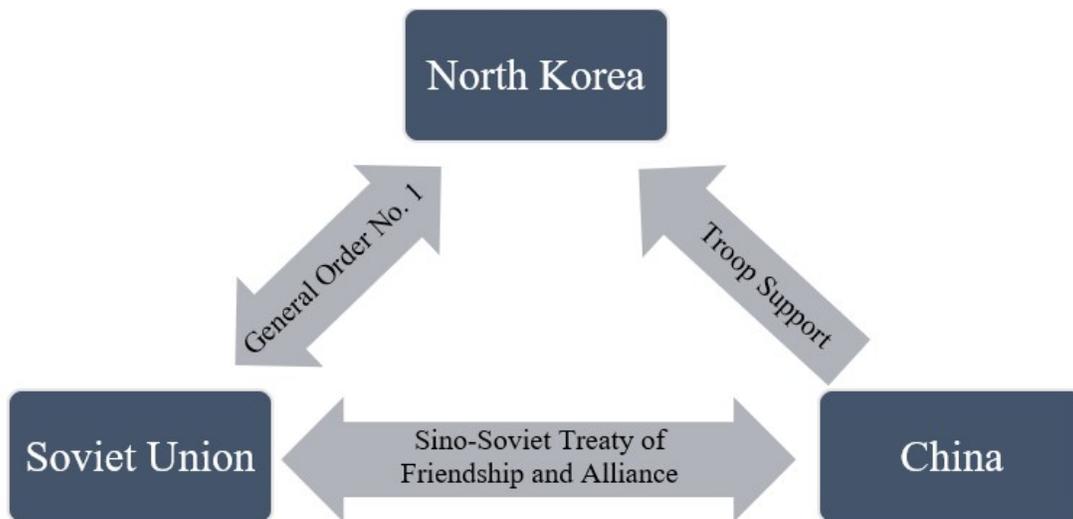


Figure 7. North Korean Alliance

### **The Effect of Prominent Actors: General MacArthur**

From the United States, Secretary of State Dean Acheson and General MacArthur were influential actors during the Korean War. As a general who earned prestige and respect from his exploits during World War II, General MacArthur was granted more leniency for his actions. His power overshadowed Acheson's and allowed him to extend his sphere of influence from military strategy alone to the political sphere as well. General MacArthur's blatant disregard of his orders illustrates a disconnect between military and diplomatic efforts. While Secretary Acheson was reassuring the Chinese of intentions for UN Forces to maintain a specific distance from the Yalu River border, General MacArthur encouraged his troops to press forward north. When pursuing an objective as a collective effort, challenges regarding the synchronization between the two types of action (i.e., diplomatic and military) become exacerbated. Effective collective action requires the unified efforts of all actors in their cause and strategy. When one individual holds so

much power, the frame of reference for group decisions can shift in favor of the individual's behavioral model.

**Event Analysis**

Although armistice negotiations maintain a cooperative game structure, this structure is not pure cooperation since it maintains a self-interested element from the parties involved. The subject of the negotiation matters because it determines how the players will act. In purely cooperative games, players are expected to focus on increasing the total sum of benefits even if that means making sacrificing concessions and suspending their self-interest. The state of war negotiations is a type of self-interested cooperation where all parties are seeking to improve the overall situation, with particular emphasis on their own.

Each of the Korean War events in Table 8 is analyzed within the overarching game of noncooperation or cooperation between the two collective action efforts. However, actions within both alliances are susceptible to questioning as the decisions were not the result of unanimous consensus. Collective action efforts represent a multidimensional nature within game theory and to assume the group as a whole reaches collective action decisions are misguided. In neither collective action, the UN Troops or the North Korean alliance, were the decisions perfectly streamlined. Individual actors, both state and individual people, were able to influence the decision making within the group, which could have resulted in subpar outcomes. Individual actors persuade the group to act in a particular manner that does not follow typical behavior patterns and can skew the group decision by the motivations and objectives of the individual actor.

Table 8. Event Summary

	<b>North Korean Invasion</b>	<b>United Nations Resolution</b>	<b>Chinese Cross the Yalu</b>	<b>Signing the Armistice</b>
<b>Game Structure</b>	Noncooperative	Noncooperative	Noncooperative	Cooperative

<b>Game Payoff</b>	Zero-sum	Zero-sum	Zero-sum	Nonzero-sum
<b>Game Decisions<sup>82</sup></b>	Sequential	Sequential	Simultaneous	Simultaneous
<b>Type of Effort</b>	Military	Military	Military	Diplomacy
<b>Alliance</b>	Nonorganizational	Organizational	Nonorganizational	Mixed
<b>Security Classification</b>	Joint-Product	Joint-Product	Joint-Product	Public Good

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<sup>82</sup> These game decision classifications only hold true if the events are analyzed independently of one another. If the events were analyzed as being dependent, the classification could change to simultaneous across all events with the exception of the initial invasion.

## Chapter 8: Conclusion

To say that the CIA forecasted the possibility of a North Korean invasion and Chinese intervention in two separate memorandums is not enough. The CIA prepared some of these reports without consulting Army, Navy, Air Force, or State Department intelligence units. As the newest intelligence agency,<sup>83</sup> the CIA had less infrastructure and a less defined role; these factors could very well have limited its credibility as a source of accurate intelligence analysis products. Intelligence products at the time also lacked the level of rigor found in today's products and may not have been convincing to decision makers.

Although this research is not concerned with building a model of Korean War collective action, the framework utilizes other economic models and theories for its foundation. Economic models fall into two main categories: predictive and explanatory. These types of models differ in objective and characteristics. Assumptions are the foundation for constructing complex economic models and theories. The objective of the model determines the criteria of the assumptions. Explanatory models require that all assumptions used be realistic and independently testable, while generative assumptions in predictive models are allowed to be unrealistic. The difficulty in using entirely realistic assumptions is why most economic models are predictive as opposed to explanatory. The purpose of this research was not to develop a model for the sake of prediction or explanation, but rather a framework that seeks to understand. By creating a framework as opposed to a consolidated theory, this gives greater flexibility in its application. However, a framework of collective action based on economic methodology is only one example and was meant to illustrate the potential of adopting economic methodology for use in intelligence analysis.

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<sup>83</sup> Although both the CIA and the Air Force were formed as a result of the National Security Act of 1947, the Air Force already had an established mission and pool of resources, which it had inherited from the Army Air Corps.

## **Applying and Expanding the Collective Action Framework**

In an interconnected world, the application for applying collective action is limitless. Most cases of collective action efforts are treated as entirely unified and homogeneous. However, as the example of the UN during the Korean War illustrates, dissents can occur even when actors unite to achieve a common goal. Even the United States intelligence agencies were not able to reach a consensus one hundred percent of the time. Collective action, whether for defense or security purposes, is dynamic and understanding the various variables and how they interact with one another is necessary to improve analysis and forecasts regarding collective action. Although the resulting framework from this research was based on historical events, the application can carry over to modern issues.

Application of the framework is not limited to understanding the interaction between two collective action efforts. A current dilemma in the international community is North Korean nuclear weapons. A nuclear North Korea represents a source of insecurity because the country has isolated itself from the international community, which may translate to a greater willingness of employing nuclear weapons against other countries.<sup>84</sup> In order to improve international security, a group of nations may choose to coordinate their efforts in encouraging North Korea's compliance with nonproliferation norms. The organization of collective action efforts to influence the decisions of one actor is a potential application and also grounds for future research. Other areas that could be a source for collective action research include:

- Multidimensional games
- Quantifying qualitative data
- Game theory for military strategy

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<sup>84</sup> Interconnectedness within the international community can serve as a stabilizing agent in international relations.

- Non-conflict based collective action analysis
- Organizational economics in collective action

Some research has already begun in some of these areas, but the literature is scarce and requires more research efforts before it is ready to be used operationally in intelligence analysis.<sup>85</sup>

Economics can be used to analyze resource allocation and decisions, using either a qualitative or quantitative approach, depending on the data available and the analytical objective. The economics discipline acknowledges that these approaches are not mutually exclusive and build off one another. Economic methodology as applied in this research emphasizes the craft of intelligence through the establishment of an outline, which can be used at the analyst's discretion with the available information. However, future national security and economics research could make the argument for the scientific element of intelligence through economic methodologies that focus on quantitative or quantifiable data, such as in the subfield of econometrics.

Econometrics is a way of validating and quantifying economic theory, which often focuses on social and behavioral components, through mathematical analysis because economic theory lacks numerical parameters.<sup>86</sup> Econometric time-series regressions, which measure the relationship between output and time in a goods market, have been used to analyze Mexican drug cartel homicides and United States counterterrorism policies.<sup>87</sup> Time series regressions are prevalent in the field of economics because they consolidate large amounts of quantitative data

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<sup>85</sup> Multidimensional Game Theory: Gary Bornstein, "Intergroup Conflict: Individual, Group, and Collective Interests."

Non-conflict Collective Action Analysis: Kaveh Madani, "Modeling International Climate Change Negotiations More Responsibly: Can Highly Simplified Game Theory Models Provide Reliable Policy Insights?"

<sup>86</sup> Johannes J. Klant, *Nature of Economic Thought*, 20.

<sup>87</sup> Matthew D. Phillips, "Time Series Applications to Intelligence Analysis."; Todd Sandler, "Economic Analysis Can Help Fight International Terrorism."

into a graph, making it more readily understood. However, other types of regressions include cross-sectional (data on multiple entities over one period of time) and panel data (multiple entities over more than one time period).<sup>88</sup> Although it is possible to use econometrics to make predictions, the data used in this research focused only on describing the situation and using it as contextual information.

### **The Future of Economics in Intelligence**

The future of economics in intelligence does not have to be limited to analytic methodology. Economics is about resource management and decisions, which means it is applicable at various levels of the intelligence cycle and the corresponding relationships between practitioners. Some research has already been done using economics in national security and can serve as a foundation for further expansion and communication between the two fields.

Economics is combinable with existing structured analytic techniques. Rather than working with a fully developed model, analysts can use partial economic theories or concepts.<sup>89</sup> Even the distinction between predictive and explanatory models allows analysts to know how their assumptions impact their conclusions.

The majority of this paper focused on economics as applied to decision analysis. However, economics can also be beneficial in resource management regarding intelligence collection. To a certain extent, economics already factors into intelligence collection even though it is not explicit. Tasking collection resources in relation to their level of national security importance are economic decisions. Collection and analysis efforts focus on higher priority items that have precedence over more obscure matters. This prioritization is reminiscent of the supply

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<sup>88</sup> James H. Stock and Mark W. Watson, *Introduction to Econometrics*, 7-11.

<sup>89</sup> Academic economists can generate theories and test assumptions, which analysts can then incorporate as part of their tradecraft.

and demand curves often found in economics. Intelligence consumers demand specific information, which the IC works to fulfill. Intelligence production and consumption are not the same as a free market where suppliers can enter and exit the market at will. Instead, the IC is both a monopoly and a public good. It is a monopoly in the sense that it holds sole jurisdiction over classified information collection, processing, and analysis. As a public good, it is readily available to decision makers at no direct cost to them when their positions require it.

Understanding the dynamic between the IC and intelligence consumers can be done using economic methods. Intelligence consumers hold more power over production processes than consumers in a free market, and this distorts the relationship in favor of the consumer, which may result in overtasking the IC.

Economists have demonstrated interest in matters of national security through academic research, but there still appears to be a disconnect between the disciplines of economics and intelligence. The most prominent role for economics in intelligence is still as economic intelligence through the analysis of resources and the factors of production. Expanding the role of economics could be beneficial for both disciplines and professionals. Economists working within the IC would be allowed to exercise their skill set even further and branch out into different types of analysis while learning how to adapt economic theories for intelligence production. Rather than limit economists to producing economic intelligence, an expansion of their roles within the IC could eventually evolve into a new subfield within the discipline: intelligence economics. Intelligence economics would focus on operationalizing economic methodology and tools for use in analysis tradecraft.

Economics applies to a wide variety of issues in intelligence and national security, but still only represents one discipline with a limited methodology. Analysis based solely on

economic methodology will not be able to meet all the requirements necessary for a well-rounded intelligence product. Even analysis that does manage to incorporate economic methodology is not infallible. Economics is still a social science and is susceptible to producing inaccurate forecasts and analysis. Most economic theories also do not account for the possibility of deception and other counterintelligence techniques. These challenges, unique to intelligence analysis, would have to be incorporated into model parameters before economics can move beyond its limited role in producing economic intelligence. However, until fully developed intelligence economic models are available, analysts can still benefit from incorporating economic methodology. Other opportunities for applying economic methodology are possible. However, preconceived notions of economics as a business science rather than a social or decision science may hinder efforts in expanding the role of economics.

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## **Vita**

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