

FIFTH SESSION

The End of the Civil War to Pearl Harbor

A landmark court decision regarding the nation's intelligence service stems from the Civil War. William A. Lloyd, under personal contract to President Lincoln, was sent south to collect tactical and political information. He was to be paid \$200 a month, but when the war ended and he returned north, his case officer had been assassinated and he was reimbursed for expenses only. He took the matter to the Court of Claims seeking additional compensation.

The U.S. Supreme Court, in deciding the case [92 US 105, 105-107 (1876) Enoch Totten, Admr., App., vs. United States], acknowledged that the President had the authority to employ secret agents, that all such agent contracts are binding on the government, and that the sums should be paid from the Contingent Fund. Yet, because Lloyd had taken the matter to the courts, it ruled against him, stating:

"The service stipulated by the contract was a secret service; the information sought was to be obtained clandestinely and was to be communicated privately; the employment and the service were to be equally concealed. Both employer and agent must have understood that the lips of the other were to be forever sealed respecting the relation of either to the matter. This condition of the engagement was implied by the nature of the employment, and is implied in all secret employments of the Government . . . If upon contracts of such matters an action against the Government could be maintained in the Court of Claims . . . the whole service in any case and the manner of its discharge with the details of its dealings with individuals and officers, might be exposed to the serious detriment of the public. A secret service, with liability to publicity in this way, would be impossible . . . The publicity produced by an action would itself be a breach of a contract of that kind, and thus defeat recovery . . ."

In this decision are the roots for the so-called "Glomar defense," that is, the government is not admitting such information exists, but if it does indeed exist, it would be properly classified and could not be disclosed. The Supreme Court decision put it this way:

"It may be stated, as a general principle, that public policy forbids the maintenance of any suit in a court of justice, the trial of which would inevitably lead to the disclosure of matters which the law itself regards as confidential, and respecting which it will not allow the confidence to be violated . . . Much greater reason exists for the application of the principle to cases of contract for secret services with the Government, as the existence of a contract of that kind is itself a fact not to be disclosed."

[Similar language stressing the necessity of secrecy in intelligence matters may be found in the 1984 decision of the U.S. Supreme Court in the Sims case. For example, "Disclosure of the subject matter of the Agency's research efforts and inquiries may compromise the Agency's ability to gather intelligence as much as disclosure of the identities of intelligence sources . . . The inquiries pursued by the Agency can often tell our adversaries something that is of value to them . . . Accordingly, the Director, in exercising his authority . . . has the power to withhold superficially innocuous information on the ground that it might enable an observer to discover the identity of an intelligence source."

[The high court also made a telling observation that is, no doubt, not unfamiliar to those in this room: "Foreign intelligence services have both the capacity to gather and analyze any information that is in the public domain and the substantial expertise in deducing the identities of intelligence sources from seemingly unimportant details . . . In this context, the

very nature of the intelligence apparatus of any country is to try to find out the concerns of others; bits and pieces of data may aid in piecing together bits of other information even when the individual piece is not of obvious importance in itself." The court noted that even disclosure of the fact that the CIA subscribes to an obscure but publicly available Eastern European technical journal could thwart the Agency's efforts to exploit its value as a source of intelligence information. "A foreign government," it said, "can learn a great deal about the Agency's activities by knowing the public sources of information that interest the Agency."

After the Civil War, Presidents continued to dispatch secret agents whenever national needs dictated. As we have seen, often the very prominence of a person enhances his or her value in exerting influence or pressures on parties abroad. In most such cases, the secret aspect is that the prominent person is actually an agent of the United States Government employed to propagate views or engage in activities consistent with covert national policy. In recent years this has been called "Track II," but such is really only a new name for an old practice.

In 1865, for example, Governor Oliver Hazard Perry Morton, the Governor of Indiana, went abroad on behalf of the War Department to report on systems of sanitary regulations, transportation and subsistence of troops in the armies of Germany, France and Italy. Enroute, he stopped in Washington where he received a secret assignment from President Johnson. Morton was ideal for such a mission. He had been a strong supporter of the Union throughout the civil war, including dissolving the state's legislature when the Peace Democrats gained control of it during the elections of 1862 and running the state throughout the war without ever summoning the legislature into session. His instructions from President Johnson were to give intimations to Napoleon that he must withdraw French troops from Mexico. The tasking was so sensitive that he was expected to keep it secret even from the American Minister to France, John Bigelow. Thus, Morton saw the emperor through the courtesy of Baron Rothschild rather than through the good offices of the U.S. Embassy. [Unsaid here was a long list of U.S. objections to Napoleon's puppet emperor of Mexico, Maximilian, including Maximilian's encouragement of former-Confederate settlers; Further, the United States was giving its "unofficial" support to Juarez as a replacement. In the end, Napoleon agreed to withdraw French Forces in eighteen months. But, it was too late for the Mexican emperor with an Austrian accent. He was captured and executed by the Juaristas.]

In 1866, Secretary of State Seward's expansionist dreams resulted in the dispatch of a mission, strictly secret in nature, to Santo Domingo. Frederick W. Seward (the Secretary's son) and Admiral David D. Porter were reminded that previous efforts had been thwarted by Spain on each occasion it had learned of our moves there. Success, they were told, could be expected only if "caution, secrecy and despatch" were observed. [A similar mission three years later by Orville E. Babcock, President Grant's secretary, was kept secret even from the Secretary of State.]

In 1867, a secret agent was sent to Hawaii to investigate the situation there and to promote favorable opinion towards annexation by the United States rather than a treaty of reciprocity then experiencing ratification difficulties. Anti-American feeling was certain as a result of the reciprocity treaty, since there were those who felt it would draw Hawaii into the American sphere of influence. On the other hand, the annexationists believed that such a treaty would hinder and postpone annexation. The American minister, of course, would be expected to use his influence on behalf of the reciprocity treaty, but only a secret agent could address Secretary Seward's expansionist hopes for annexation of the islands. Chosen for the task was Zephaniah S. Spaulding, who ultimately reported back to Seward that if the United States wanted the Hawaiian Islands it had to "take or buy them." [Spaulding's mission remained a secret for some twenty-five years.]

In 1870 a small investigative arm was established in the Department of Justice, staffed mostly by Secret Service agents seconded to the Attorney General and supplemented by Pinkerton agents. This small core, combined with the U.S. Secret Service, had the unclear charter for domestic security and counterintelligence operations yet, in effect, both were staffed by Secret Service agents.

Perhaps the best evaluation of this period is that of Thomas Miller Beach, a British intelligence agent who served under cover in the United States from 1867 to 1888, as part of a network the British and Canadians maintained along the border and in such cities as Chicago, Detroit and Buffalo. In his memoirs, Beach provides this critique of the American service:

"America is called the Land of the Free, but she could give England points in the working of the Secret Service, for there, there is no stinting of money or men."

A pattern of concern was also beginning to develop in regard to Canada. Throughout the nation's history, beginning with the American Revolution, there had been attempts to draw Canada into the Union. The British, on the other hand, were seen as having designs which might best be mounted against the United States from Canada. [In time, the Army even drew up contingency plans for a possible invasion of the United States from its neighbor to the North.]

Annexation was in the mind of President Grant in 1869, when he dispatched James Wickes Taylor to the area of the Red River rebellion in Canada. The insurrection there was not understood in Washington. It grew out of the interests and desires of French and Roman Catholic elements there who cherished dreams of building another Quebec on the banks of the Red River. Yet, their protests were certainly a manifestation of unwillingness to be a part of the British Dominion, even though the resort to arms was not pro-annexationist. Whatever the outcome, it was a convenient opportunity for clandestine activities to determine if sentiment existed in the Selkirk area--or even more--for annexation by the United States. Taylor's instructions warned: "All your proceedings under this commission are to be strictly confidential, and under no circumstances will you allow them to be made public. This injunction includes the fact of your appointment." Pro-annexation sentiments, Taylor learned, did not exist.

The need for intelligence was great. In 1880, General William T. Sherman instructed all officers traveling abroad to make military observation and report them to the adjutant general. In 1881, the Army devised the idea of "Hunting and Fishing Leave," a means by which officers could be dispatched to conduct terrain reconnaissance, with Canada as a principle target, yet provide some degree of official deniability. Captain Daniel Taylor performed such a reconnaissance along the St. Lawrence River in 1881, and in 1890, Lt. Andrew Summers Rowan (of later "message to Garcia" fame) did a detailed reconnaissance of the entire line of the Canadian Pacific Railway.

[The need for such intelligence increased, and in 1902, the Military Information Division of the Army instructed commanding officers of a number of frontier posts to send secret tactical reconnaissance missions into Canada for mapping purposes. "Hunting and Fishing Leave" existed in Army regulations, in one form or another, until 1928. Perhaps one of the most daring, as well as most publicized, intelligence missions of this type was that of 1st Lieutenant (later Brigadier General) Henry H. Whitney to Puerto Rico in 1898. Whitney infiltrated Puerto Rico by signing on as a crew member of a British tramp steamer. Before his arrival, however, the story was leaked and newspaper articles discussed his secret mission at length. Forewarned by the American media coverage, Spanish authorities conducted an

extensive search of the ship on its arrival, but failed to detect or apprehend him. He not only landed safely, but was able to conduct a thorough reconnaissance of the southern part of the island.]

The period saw heightened interest in military intelligence. The Office of Naval Intelligence was established within the Bureau of Navigation in 1882 for the purpose of "collecting and recording such naval information as may be useful to the department in time of war, as well as in peace." Because ONI had been established by departmental order, not an act of Congress, Congress refused at first to appropriate funds for it and the newly-formed Naval War College. One of those campaigning on the Navy's behalf was a mugwump civil service commissioner, Theodore Roosevelt, who would later note that "The Chief of the Office of Naval Intelligence has got to be the man on whom we rely most for initiating strategic work." Also in 1882, the first Naval attache was dispatched abroad.

In 1885, the War Department followed suit with its own Bureau of Military Intelligence in the Adjutant General's Office "to gather and file information concerning the military organizations of foreign countries in which . . . the United States might become interested." [The Bureau was staffed with one officer and one clerk], and President Cleveland approved sending military attaches abroad. In 1886, the Corps of Indian Scouts was created by Congress, officially affirming a practice initiated at the time of the civil war, or even before, yet which was soon to see final muster. By 1892, the infant MID was threatened by absorption by the Signal Corps, an act blocked by the Adjutant General's office which was protecting its turf, not MID.

In 1888-89, the Congress approved officially the institution of a military attache system and the Army began dispatching attaches abroad. It might almost have been in self defense. The Spanish had placed attaches here immediately after the civil war, in fact one of them had walked off with a plan of our Atlantic coastal defenses in 1898. France, Russia and Peru followed suit by sending attaches, soon followed by those from nations large and small. And, a minor point, the Navy had its attaches in place for almost six years. The nature of the attache's duties were clear to one Boston newspaper: "The accomplices he corrupts and the spies he employs may be hanged or shot, but the attache goes free."

As the Spanish-American war approached, informal arrangements were made to poach a few clerks from other Navy offices to complement the Office of Naval Intelligence. A few more clerks were smuggled in under the annual "Increase in the Navy" appropriations bill. It was not until 1899, in the aftermath of the war, that Congress appropriated funds to establish a clerical staff for ONI.

The conflict was a time of testing for the newly-created intelligence organizations. Army and Navy agents in the field gathered military gossip about Spain. ONI hastily assembled agent networks which, in retrospect, had a successful track record in collecting both political and strategic intelligence. Andrew S. Rowan of MID penetrated the Spanish lines and contacted the insurgent leader Calixto Garcia. Victor Blue, a future chief of staff of the Pacific Fleet, crossed the Spanish lines three times to make contact with partisans and determine their supply needs. The Signal Corps' intelligence unit severed Cuba's cable to Spain and had a fleet of balloons deployed for airborne reconnaissance. In Spain, penetration was effected by a Spanish-American graduate of West Point whose identity authorities have never disclosed, but who some naval historians say was Aristides Moreno who served later as General Pershing's chief of counterespionage in France during 1917-18. The only set-back was refusal of the Cuban Expeditionary Force to accept the concept of an MID "Department of Intelligence in the Field," then considered an unprecedented attempt to intrude into the responsibilities of a field commander. Fortunately, this was not the case in the Philippines,

where an independent Military Intelligence Division existed until absorbed by MID in 1902.

There were also serious problems to be faced on the home front. Reports were received that Spanish agents were about to raise the holy banner among the Catholic masses of North America. Other reports said the Spanish were planning to sabotage installations and poison American troops. Firmer proof was obtained from undercover operations that a pro-Spanish element was willing to bring strife to cities with large Spanish communities, such as Tampa, Florida. Money was raised in New Orleans to purchase a gunboat for Spain and for transmittal to Spanish forces in Mexico. The Spanish Admiralty ordered the destruction of naval bases along the American coast and reports were received that Spain's four armored cruisers might bombard coastal cities. A letter was intercepted which described the coastal defenses of San Francisco and explaining how they could be circumvented. Another letter, posted from Wyncote, Pennsylvania, and addressed to Ramon de Carranza, a Spanish agent in Montreal, was intercepted and found to contain a detailed description of the sea approaches to Philadelphia, the hazards of attempting a bombardment, and the potential damage that might be inflicted on the commercial area of the city.

[The threat of bombardment faded quickly; In April 1898, two days before Spain's declaration of war on the United States, the United States blockaded Cuba and the second Spanish fleet at Santiago de Cuba was destroyed.]

Spain was quick to seek out others who would betray the nation. One agent, George Downing, had been a petty officer on the Brooklyn. For a price, he agreed to obtain information of a strategic nature from the Navy Department and from government navy yards. His mistake was meeting with his Spanish case officer in a Canadian hotel with thin doors--a U.S. Secret Service agent was on the other side taking notes. Downing was arrested in Washington in the act of mailing a letter about Navy movements; two days later he hanged himself in his cell. Another of Carranza's schemes was to recruit persons who would enlist in the American forces for service in Cuba or the Philippines. Once landed, they would cross the lines to the Spanish side with intelligence of American troop dispositions.

Carranza turned to a Canadian detective agency for assistance, and was referred to a former prize-fighter, Frank Mellor. Mellor got two soldiers drunk and bribed them to spy for Spain. One of them sobered long enough to report the recruitment. His partner in the recruitment actually joined the Third U.S. Cavalry, but was arrested based on the testimony of the first. [He was held in prison without trial until the end of the war, then released. Compromised, Mellor headed for Tampa and his own attempt to enlist in the American forces bound for Cuba. Thanks to Canadian liaison, a telegram from Mellor to Carranza was intercepted, and Mellor taken into custody. Yet, the Canadian information could not be used as evidence at Mellor's trial, so a surreptitious entry was made into Carranza's home in Montreal. A letter located in the search proved the existence of the Spanish spy ring; the Secret Service arranged for it to be translated and published in a New York paper, and the cooperative Canadians expelled Carranza. [It has also been alleged that the version published in the American press was an "adaptation" of the original taken from Carranza's apartment; others say it was a forgery unlike the original.] The counterintelligence effort was not a total success. Even after the departure of Carranza and his colleagues, intercepts continued to turn up letters to them, in unbreakable cypher, sent from the United States.

The U.S. Secret Service, to meet the counterintelligence needs of the war had strayed afar from its limited charter under the Treasury Department. Its most widespread activity had been the surveillance of suspects, many of whom where warned that the government was aware of their sentiments and intentions and told to desist. A total of six hundred persons were tailed for varying periods.

With the end of the war and demobilization, the ONI's networks were all but scrapped; few saw the need for an energetic and continuing intelligence capability. In 1903, a G-2 was established, with an attache office, indexing and library, map and photographic section, historical section and monograph and publications section. It was short-lived, and merged with G-3 (Plans). Further proof of the disinterest, if not hostility, to intelligence came in the emasculation of the Military Information Division in 1908, when it was became a dead-letter office for intelligence reports, a map and document library without analysis or dissemination, at the Army War College. Any semblance of its former form was phased out and replaced by a Military Information Committee comprised, it is said, of "personnel with no knowledge of the intelligence unit's aim and no interest in learning them . . . men who officially ruled American military intelligence until 1917 and the advent of WWI."

That same year, 1908, saw the birth of the Bureau of Investigation in the Department of Justice. It was not a natural birth. When the investigative bureau in the Department of Justice, staffed by U.S. Secret Service personnel, gained the conviction of a senator and a member of the House for land fraud, the Congress retaliated by limiting the Secret Service's charter to presidential protection, a responsibility it had been given in 1902, and treasury offenses, with investigation of members of Congress prohibited in regard to the latter. Attorney General Charles J. Bonaparte (the grandson of one of Napoleon's brothers) who had been seeking approval for a internally-staffed Bureau of Investigation, was met with quick comparisons to the intimidations of Napoleon's police minister, Fouche, and a round of horror stories about detective police systems in Russia, Britain and France. The House and Senate appropriations committees reported against the proposal and the Congress prohibited the Justice Department's practice of borrowing agents from the Secret Service. The Attorney General nevertheless established his Bureau of Investigation, forerunner of the FBI, during a congressional adjournment, pleading that the Congress had forced his hand by denying him the use of Secret Service investigators.

As with Presidential agents, when military intelligence missions were required, personnel were recruited *ad hoc*. An example of this was a joint intelligence mission launched in 1909. Two military officers were sent on a two year reconnaissance of Taiwan, the Ryukyus, the Japanese home islands, Korea and Manchuria. Commander Joseph "Snake" Thompson of the U.S. Navy Medical Service and 1st Lt. Consuelo A. Seoane, 3rd Cavalry, traveled under assumed names and South African nationality, posing as naturalists while mapping Japanese fortifications and coastal facilities. To enhance their cover, they collected specimens and maintained bogus diaries of botanical finds--for the benefit of Japanese surreptitious entry teams--and checked in regularly with British consular authorities to affirm Crown protection due South African nationals.

Similarly, when communications intelligence about the Mexican Army was desired, the task was given to the Arizona National Guard. They were quite successful in the assignment, crossing the border and stringing a land-line "tap" to a Mexican military telegraph pole.

There were those who recognized the need for an informed military intelligence establishment, but their efforts were not always wise or successful. Shortly before World War I, for example, the Commandant of the Command and General Staff School, Fort Leavenworth, acting on the suggestion of the Chief of the War College Division, determined to prepare a regular intelligence publication for appropriate Army distribution. The first issue, which drew on intelligence reports forwarded to the Command and General Staff School, resulted in a strong note of protest from the British. One item in the new publication, they said, had been given to the U.S. Military Attache in London only after securing his solemn promise to maintain it with utmost secrecy. The promising intelligence publications program came to a

complete halt.

In the summer of 1915 there were stirrings at the national level. President Woodrow Wilson and his Secretary of State, Robert Lansing, agreed to vest overall control of American espionage in the Department of State because of the delicate diplomatic questions of the time. Wishing to enjoy the end product of intelligence work without sharing the stigma attached to it, they delegated to State the role of filtering and evaluating foreign intelligence before supplying it to the chief executive.

During the period prior to U.S. entry into WWI, perhaps the most active secret agent was Col. Edward M. House. House enjoyed an intimate personal relationship with President Wilson, to the extent that on one mission to Britain, in 1913, Ambassador Page described him to the British as the "silent partner" of President Wilson. In 1915, he was in Europe once more with an offer of U.S. mediation that was kept secret even from Ambassador Page. Elaborate pains were taken to conceal the real object of his mission from the public, and the President twice was quoted as denying that House was abroad on a mission connected with peace. The mission proved abortive, and the destruction of the *Lusitania* delivered the *coup de grace* to his efforts.

Before the United States entered the war, the State Department tried to preserve every appearance of neutrality and to ensure that America's secret agents did not appear to be operating exclusively against either the Allies or the Central Powers. One appalling example of this is seen in the handling of a German germ warfare operation conducted out of Baltimore. Animal and flu viruses which had been brought into the city aboard a German submarine making a "good will" visit, were cultivated in a secret laboratory in Silver Spring, Maryland, then taken to Norfolk-Newport News where horses and mules destined for Britain were infected. On arrival in Britain the infection had infected all the animals and they had to be destroyed. Although the nation suffered an epidemic of influenza, it could not be traced positively to the flu virus cultivated in the laboratory. Indictments against the influential German-American families involved in the germ warfare plot were sought and obtained, but they were never prosecuted. When the war broke out, they made common cause with their government and became "good Americans."

This all changed in 1915 with the departure of William Jennings Bryan as Secretary of State and the ascendancy of Robert Lansing to the post. Continuing revelation of German intrigues in this country inspired the establishment of an espionage organization under the Office of the Counselor, the second-ranking post in the Department of State. Named to run national intelligence was Frank Polk a prominent New York Democrat and a distant kinsman of former President James K. Polk.

Polk advised the Wilson administration on the legal aspects of American neutrality and, at the same time, supervised the work of various government agencies in the field of counterespionage and the alleged violation of American neutral rights by belligerent powers.

In the meantime, the Germans were busy in America. From his offices in the Hamburg-American Steamship Line in New York, Dr. Heinrich F. Albert directed commercial espionage activity. One operational venture traced to Dr. Albert was his attempt to purchase the Bridgeport Projectile Company. The scheme had several purposes: 1) The Germans could produce armaments there for non-attributed shipment to anti-British insurgents; 2) The plant could take orders from the Allies, but fail to fill them; and, 3) The firm could be a vehicle for receiving technical information from the United States Government. [This tactic was repeated by the parallel network of the CPUSA during the 1950's.] Clandestine operations, including sabotage, were directed by Fritz Von Papen from a Wall Street advertising agency.

The office of the German Naval Attache, Captain Karl Boy-Ed was involved in such activities as gun-running to the troubled British territories and possessions. Superimposed on this was Captain Fritz Von Rintelen, sent unilaterally from Berlin and charged with encouraging anti-Yanqui feeling among the Mexicans and recruiting Irish-Americans to sabotage allied ships sailing for Britain. Animosity arose between Von Rintelen and the residents in America, who promptly compromised him by describing his work in indiscreet messages. Alerted, the government let Von Rintelen sail for Europe, but alerted the British, who picked him up at the other end. Then a Secret Service agent stole Dr. Albert's briefcase as the German nodded in a New York subway. The documentation of the German maneuvers complete, Von Papen, Boy-Ed and Albert were ping'ed in the fall of 1915, but their subordinates were allowed to remain in place under Federal surveillance.

Discovery of other German operations was soon forthcoming. The German Ambassador was identified by an American businessman as one of those attempting to purchase the Union Metallic Cartridge Company, and ultimately the Winchester and Remington Arms Companies. The American intermediary was rolled up as was the German case officer. In December 1915, the Secret Service broke up an Austrian intelligence ring which was developed to create unrest in American steel plants employing Hungarian, Slovak and German workers, when they arrested and then released a secretary of the Austrian Embassy--after confiscating the incriminating papers. And, in 1916, the Secret Service closed in on Von Papen's successor on Wall Street, coincidentally as the German had removed four bundles of incriminating papers from a safe and was preparing to take them to the German Embassy in Washington. The papers, weighing some seventy pounds, detailed the names and phone numbers of German and German-American agents in the United States. In addition, the contents shed light on the plans of German intelligence to foment rebellion in India and the fact they were financing the Easter Rising in Dublin.

Nineteen Sixteen was a year of anomalies. The Army's 1st Aero Squadron was detached to the punitive expedition into Mexico, but instead of being employed in aerial reconnaissance the planes were assigned to serve as couriers. Col. Ralph Van Demen of MID initiated secret intelligence efforts contrary to the orders of the Chief of Staff, not admitted until a week before the United States entered the war. The House of Representatives defeated anti-espionage legislation proposed by the Attorney General. Secretary of State Lansing created the Bureau of Secret Intelligence funded with confidential funds, much of which came from American businessmen, an organization that would survive only four years; On the departure of Secretary Lansing, the agents were transformed into passport investigators instead of continuing as an intelligence arm of the new Secretary. The Attorney General stated his reluctance to investigate German sabotage and espionage in the belief that local, rather than Federal, laws applied. President Wilson authorized the Treasury Department to investigate German agents, prompting a turn-around by the Attorney General who, without congressional authority, directed his 300-man Bureau of Investigation to investigate German espionage. [Without congressional funding, the Bureau of Investigation was forced to use cars "borrowed on paper" from cooperative American businessmen and aided in the establishment of a self-funded private investigative arm, the American Protective League.]

There were the inevitable feuds as well. In January 1916, the Director of Naval Intelligence complained to the Chief of Naval Operations that the Assistant Secretary of the Navy was attempting to usurp the control of the DNI over intelligence by organizing his own secret intelligence bureau. The Navy intelligence chief asked, unsuccessfully, which office held responsibility for coordination of intelligence activities within the Navy Department. The DNI survived the crisis, but what of the Assistant Secretary of the Navy who dabbled in intelligence? Franklin D. Roosevelt went on to become the Constitutional manager of intelligence for the nation.

The U.S. declaration of war against Germany in World War I stemmed from an intelligence success, the interception and decoding by the British of the infamous Zimmerman telegram. Early in 1917, the British confided to Polk that they had broken the German codes, and confidently passed a copy of a message sent in January 1917 to the German Ambassador in Mexico. The message, written by German Foreign Secretary Alfred Zimmerman, said:

"We intend to begin on the first of February unrestricted submarine warfare. We shall endeavor, in spite of this, to keep the United States of America neutral. In the event of this not succeeding, we make Mexico a proposal of alliance on the following basis: Make war together, generous financial support, and an understanding on our part that Mexico is to reconquer the lost territory in Texas, New Mexico and Arizona."

Polk showed the message to Wilson and Lansing. Unsure that the British were providing reliable information and suspecting it might be a ploy to get the United States into the war, Wilson arranged to have another copy of the message, which had gone through telegraphic links to which we had access, deciphered and confirmed. On March 1, 1917, the decoded message surfaced in the American press. On April 6th, President Wilson sought and obtained a declaration of war based on the communications intelligence we now know as the "Zimmerman Telegram." More on this in a moment.

As war developed, Polk became coordinator of those agencies created or developed for the purpose of gathering intelligence abroad. Under him the espionage bureaucracy flourished, yet he restricted his role to deciding intelligence policy and coordination, leaving the enabling powers--the training, payment and dispatch of legions of agents--to the concerned departments. A good deal of the wartime espionage direction fell to Gordon Auchincloss, the son-in-law of Colonel House, who was appointed assistant counselor in May 1917. At first Auchincloss' office was located in New York so that he might contend with the large immigrant population and corresponding enemy activity there. When offensive espionage became the priority, he relocated to Washington.

Before long, the wartime activity at State was actually under the control of three men, Polk, Auchincloss and Col. House, assisted by Richard Crane, Secretary Lansing's private secretary. Another of Polk's aides, Paul Fuller, a New York attorney who had secretly negotiated with "Pancho" Villa in 1914, supervised intelligence operations in Cuba. They secured the cooperation of all the major intelligence organizations, including the military and many local officials and police. The counselor also coordinated, directly and indirectly, the work and informational product of private organizations purporting to be patriotic in character, such as the American Protective League and the private detective agencies involved with the Army in domestic counter-espionage. The liaison with the Army, surprisingly, was a break-through. As late as May 21, 1917, the Secretary of War had prohibited intelligence liaison even within the Army. [The War Department took over counterespionage, a later G-2 said, "due to the inability of the civil authorities to meet the situation at that time."]

In 1917, despite the opposition of the Chief of Staff who believed that no military information service was needed--we could rely on British and French organizations to fill those needs--Van Demen used back-channels to circumvent him. On May 11, 1917, the Military Intelligence Section [two officers and four clerks] was established by the Secretary of War. Under Van Demen's leadership it evolved quickly into the Military Intelligence Division with a one million dollar congressional appropriation. He succeeded in centralizing the Army Map Service, the attache system, intelligence command, the Army's Security Agency and a new organization, the Corps of Counterintelligence Police, which was charged with "negative intelligence" (the term for counterintelligence). The CCP saw a rapid wartime growth, particularly

in French-speaking investigators for duty in France, but by 1934 it was reduced to 15 agents. Van Demen was approached by Herbert Yardley, a State Department code clerk who had dabbled in code-breaking and had been frustrated by the Department's refusal to accept his warning that U.S. coded message were being read by other nations. Van Demen arranged Yardley's commission and placed him in charge of MI-8, MIS' code and cipher bureau, funded in the main by the Department of State, with the remainder of the monies coming from the Army and the private sector. [At the State Department's request, the Navy was excluded.] Training of cryptanalysts began and the Radio Intelligence Service, the overseas counterpart to MI-8, was created. Van Demen's success was short-lived. When a German agent was arrested in company with one of his agents and a British agent, both of whom had been involved in a joint operation to penetrate the German net, the Department of Justice complained bitterly of Van Demen's invasion of their turf and he was banished to the European war zone where he became G-2 of the AEF.

Following the Bolshevik seizure of power in Russia in November 1917, President Wilson established a group of experts, called The Inquiry, to determine American war aims and strategy for the anticipated peace. Under the guidance of Col. House and with Walter Lippmann as secretary, the group soon expanded to 150 researchers, mostly academics of diverse backgrounds. Although not engaged in espionage, its research and analysis definitely made it a part of Wilson's intelligence community, and at times provided "cover" for some of the State Department's intelligence efforts. In Russia, the Department lost an agent, Xenophon Dmitrevich de Blumenthal Kalamatiano, and almost lost an Allied agent who though American-funded, was a British subject--W. Somerset Maugham

Another wartime body, the War Intelligence Board, was created to direct domestic security against German espionage and sabotage. Chaired by the Superintendent of the Bureau of Investigation, its members represented the military services, Internal Revenue, Immigration, U.S. Marshals Service, Treasury and the Post Office. Three representatives from the private American Protective League were also included on the Board.

The conflict also saw the establishment of the nation's first permanent combat intelligence system. On 31 August 1917, General Pershing created the Intelligence Section, General Staff, and by the end of the year had ordered creation of a Regimental Intelligence Service. Training began immediately and by mid-1918 an Army Intelligence School had been established in Europe. Regimental and battalion S-2's were given the manpower and the sole purpose of collecting intelligence. This wartime precedent led to the inclusion of intelligence sections at the battalion, regimental and brigade level when the Army was restructured at the end of the war--albeit the poor intelligence officer at the battalion level also found himself detailed as adjutant, plans and training and supply officer.

The war also brought some maturity to American political thinking. During the pre-war years, the United States had pursued a soft-line against Indian nationalists plotting the overthrow of British power in their homeland. With war imminent U.S. authorities had swept up more than fifty Indians, one of whom agreed to collaborate. He exposed German funding, a Japanese plot out of Mexico to sabotage the Trans-Manchurian Railway, and some Moscow-oriented Indian revolutionaries--including one who was arrested with his mistress-secretary, Agnes Smedley, who years later would be identified with Soviet espionage activities throughout the Far East. Another arrested was James Larkin, general secretary of the Irish Transport and General Workers Union and founder of the Irish Citizens Army which had fought in the Easter Rising. Larkin, in the United States for a speaking tour, was convicted of anarchism and sent to Sing Sing. [Pardoned by Governor Al Smith in 1923, Larkin left America to become Ireland's representative on the Comintern.] The reality masked by the single arrest of Larkin was to blunt the successes of the Germans among Irish-Americans.

Here, political realities dictated that there be no show-trials which could arouse the Irish-American voters against Wilson and the Democratic Party. It was hoped that the trial of the Indian nationalists, and the arrest of Larkin would send sufficient message to cool their ardor, yet keep the political situation stable. And, there was innocence, too; ONI came up with a disturbing list of some 105,000 suspects worthy of further investigation; President Wilson, recognizing the names of some of his friends on the list, ordered it destroyed.

In 1918, there were proposals that something be done to coordinate peacetime intelligence. One plan called for the creation of a Bureau of Intelligence with a director appointed by and responsible to the President. Too many turfs would have been trod on, and the plan was doomed. Another concept was a clearing house, without a central bureau, to compare reports and to assign investigations. That plan was shelved when the MID pointed out that it was already serving as such a clearing house, receiving and indexing reports from the various intelligence components. Proprietary interest set the stage for a disaster yet to come.

At State, Frank Polk, by now an undersecretary, was at work attempting to build a peacetime foreign intelligence system before his term of office expired. In 1919, when Secretary Lansing was attending the Peace Conference, Polk established the "American Black Chamber," the peace-time version of Yardley's code-breakers, discreetly stashed in New York away from the prying eyes of Washington. And, following Lansing's unexpected resignation in February 1920, Polk established the "foreign intelligence section" of the Department to continue espionage coordination in peacetime. Polk left the Department four months later, in June 1920.

The war ended, MID went into rapid decline. It was reduced in strength and assigned three functions: 1) disseminate information to the press; 2) maintain military morale; and, 3) decode messages. A year later, the MID ordered all investigations of civilians to cease and instructed MID personnel to confine their investigations to military reservations. In 1921-22, military attaches were recalled, not to be replaced, from Belgium, Czechoslovakia, Ecuador, Egypt, Holland, Hungary, Sweden and Switzerland. From a peak of 1,441 in 1918, by 1922 MID had been reduced to 90. From a budget of \$2.5 million in the last year of the war, its budget was \$225,000. The mood was expressed best in 1924, when the *Cavalry Journal* noted the "decreasing importance under conditions of modern warfare of the obsolescent secret service and spy systems." The decline of MID wasn't reversed until 1939, at which time its headquarters personnel numbered only 69.

In the Navy, things weren't going well either. In 1930, for example, instructions warned that the State Department would disown any attache who was exposed in the use of dubious methods. It noted: "There have been several occasions when foreign attaches have been caught while indulging in questionable activities that were intended to bring in particularly desirable information. In each case the reputation and career of the officer concerned did not profit from their mistaken zeal." Naval attaches weren't forbidden to use spies, they just shouldn't get caught. And, of course, the instruction had its tinge of morality, warning attaches against the use of immoral women as agents. "A woman that will sell herself is usually willing to sell her employer."

There was a strong sense in the Congress against anything covert, both a cause and a reflection of the downturn in intelligence during the 1920's and 1930's. As one historian has noted, "Americans have liked to think that spying, as an established, normal activity of government, was one of the things that had no place in our national life. The social, political and diplomatic spy work of European countries belonged, they felt, to an Old World tradition happily left behind."

One telling example of this may be seen in the Department of State. In 1927, Secretary of State Kellogg abolished the various intelligence-coordinating sub-units of what we have referred to as the Office of the Counselor, in that year known as U-1, ending the important relationship in intelligence matters that existed between State, Justice, the Army and the Navy. Henceforth, the Department advised the FBI, ONI and MID, the special functions of U-1's branches would be surrendered to the geographic divisions of the Department of State. Excluded from the dismemberment was a legacy of Frank Polk, the Office of the Chief Special Agent, known as U-3, whose duties had included acquiring codes for the Black Chamber, supervising agents and pseudo-agents, as well as investigating organizations and individuals abroad suspected of subversive activity and protecting foreign dignitaries visiting the United States. It would continue, the Department said, but henceforth would be called the Bureau of the Chief Special Agent and would deal with "all matters relating to Communism or Communist activities." Operating under the chief of the Eastern European Division of the Department, the unit did an admirable job of tracking Comintern agents, working in liaison with similar units in allied nations, and gaining information about Soviet undercover ventures. Political perceptions of the USSR changed both in the government and the Department during the 1930's, and in 1939 the office was abolished, its personnel retired and its extensive Soviet library donated to the Library of Congress.

Two years after the dismantling of State's intelligence coordinating function, the Black Chamber was also to fall victim to new attitudes. In 1929, after Henry L. Stimson had been in office for a few months as Herbert Hoover's Secretary of State, Herbert Yardley who operated the the "Black Chamber" felt it was time Stimson lost some of his innocence. He sent Secretary Stimson copies of an important series of diplomatic messages which had just been decrypted.

Stimson was shocked; To the new Secretary of State, the "Black Chamber" was a violation of the principle of mutual trust on which he conducted both his personal affairs and foreign policy. He was guided then, he explained in his memoirs almost two decades later, by the belief that the way to make men trustworthy was to trust them. He was dealing as a gentleman with other gentlemen sent as ambassadors and ministers from friendly nations, and "Gentlemen do not read each other's mail."

The Secretary withdrew all State Department funding from the Black Chamber, and it fell.

Fortunately, shortly before Stimson's fateful decision about Yardley's group, the Army had decided to give the Signal Corps (instead of MID for which Yardley worked officially) responsibility for both signal security and signal intelligence. The resulting Signal Intelligence Service remained a separate entity, filling the void created by the end of the Black Chamber, until 1944 when it was merged into MID.

We were back in the *ad hoc* mode that had seemed to plague our national intelligence effort after every war. When an estimate of the German Air Force was needed, Charles Lindbergh was prevailed on to destroy his reputation with a "good will" visit to Germany and its military air bases. (The estimate he penned for the signature of the U.S. Military Attache in Berlin was wrong, despite his good intentions. The Germans had shuttled aircraft about from field to field so that at each visit Lindbergh was, unknowingly, counting the same planes.) When the President needed information on German rearmament he turned to scholars, businessmen, industrialists and reporters, just as other Presidents before him had prevailed on such persons to serve as executive agents. Dilettantes agreed to hike through Germany, observing what the President had asked them to observe. The President established a small secret intelligence agency in Washington's National Press Building, headed by John Franklin Carter ("Jay Franklin"), a liberal radio commentator and journalist. [What little is

known about the activities of the Carter organization makes it appear to have focused a significant portion of its activities within the United States, particularly in Washington, yet it was also given the special duty of investigating suspected Japanese nationals and Japanese-Americans on the West Coast. After the war, Carter proposed, unsuccessfully, that his group was ideally suited to be continued as the civilianized peacetime intelligence agency being proposed by William J. Donovan and others.] And, shades of the past, the FBI and MID formed an alliance with Van Demen, to make use of the private intelligence organization he had formed after being fired in 1929.

In 1938, an unexpected series of events reversed the trend. Leon G. Turrou, a special agent of the FBI's New York office, had joined the MID in an investigation of German espionage, resulting in the arrest of some of the German agents involved. The State Department wanted to drop the whole matter, and the Attorney General attempted to gag Hoover and Turrou. Hoover held his tongue, but Turrou did not. The indictments of the German agents were handed down at 4:30 p.m. on June 20th. At 5:00 p.m. Turrou submitted his resignation to the FBI and at 5:15 p.m. signed a contract with the New York Post to do a series of articles on German espionage. That evening, after a series of frantic and heated phone calls between Harry Hopkins at the White House, J. Edgar Hoover, Attorney General Cummings and U.S. Attorney Lamar Hardy, it was clear that Turrou had additional information which, if published, would precipitate a major domestic and international crisis. Therefore, it was decided to meet Turrou's challenge head on by coming out in favor of more money for intelligence purposes and acknowledging the seriousness of the spy threat. By preempting Turrou's presumed argument about national weakness in the area, and seeking an injunction to block publication of the articles, Roosevelt hoped to gain time to quiet the issue.

At President Roosevelt's press conference of June 24th, it was obvious that Turrou had achieved his objective of forcing the administration to take a more positive stand about expanding the intelligence service. According to the *New York Times*: "President Roosevelt disclosed today that he favors large appropriations for the expansion of counterespionage activities within the United States." But, still sensitive to international issues, the President had a caveat: "In calling for more funds for the Army and Navy Intelligence Corps, the President wanted it clearly understood he would not sanction espionage by American agents abroad." That same day, in an announcement reportedly drafted by Turrou, the *New York Post* announced that it had agreed to withhold the series until the completion of the espionage trials. Turrou had achieved his goal and, in fact, the series was never published.

That same year, Adolph Berle was named assistant secretary of state on the initiative of President Roosevelt. Even in the face of fascism, Berle was uncertain about the validity of America's mission and the legitimacy of "dirty" operations used in its pursuit. Like Kellogg before him, he lacked faith in the existing intelligence system. As a result, he failed to gather into his hands the strings that might control American intelligence.

In 1939, MID protested that the FBI was not pursuing its presumed role in counter-espionage. As a result, President Roosevelt announced that all investigations of espionage, sabotage and counter-espionage would be conducted solely by the FBI, MID and ONI. Three months later he issued another order assigning the function to the FBI only, yet failed to rescind the original order. Also in 1939, the President, by Executive Order, authorized the immediate employment, without competitive requirements of Civil Service, in "highly confidential positions in the State, War and Navy Departments." The Director of Naval Intelligence took the initiative, urging that an intelligence council be formed to make strategic sense out of the massive intelligence information being generated; his proposal failed.

At State, Adolph Berle was soon to be converted. In 1940 he attended a meeting at the

FBI of what was called the Committee on Intelligence Service. As the meeting progressed, he became disturbed at an attempt to integrate foreign and domestic espionage. He noted in his diary, "we had a pleasant time, coordinating, though I don't see what the State Department has to do with it." He soon had second thoughts, and at the next meeting of the group he convinced MID and the FBI of the need for "a secret intelligence service."

That year, the Navy established a cover operation in New York (the Wallace Phillips organization) to conduct clandestine collection with a worldwide network of operatives and observers. The Director of Naval Intelligence also won approval to disseminate technical, statistical and similar information, but was refused authority to evaluate and disseminate certain aspects of military intelligence such as projections of enemy intentions, or to disseminate such information and its evaluation--in the inter-service squabbles the War Plans Division had exclusive rights to that authority. General Omar Bradley, writing ten years later, placed it in perspective: "The American Army's long neglect of intelligence training was soon reflected by the ineptitude of our initial undertakings. For too many years . . . we had overlooked the need for specialization in such activities as intelligence"

In 1941, the War Powers Act was adopted, permitting the interception and examination of communications by wire or radio between the United States and foreign countries, at the discretion of the President. A Joint Army and Navy Intelligence Committee, later renamed the Joint Intelligence Staff, was formed.

Frustrated at having to be his own intelligence officer, weeding through reports sent him by eight agencies, in July 1941, Roosevelt appointed William J. Donovan as Coordinator of Information, "to collect and analyze information and data, military and otherwise . . . to interpret and correlate such strategic information and data . . . [and] carry out, when requested by the President, such supplementary activities as may facilitate the securing of strategic information." There were exceptions to Donovan's sphere of influence:

+ The FBI insisted on, and gained, exclusive responsibility for intelligence and counterintelligence in the Western Hemisphere; Working under J. Edgar Hoover, the newly-created Special Intelligence Service, operated in Latin America from July 1, 1940 to March 31, 1947.

+ The military services gained this assurance: The COI shall not, in any way, "interfere with or impair the duties and responsibilities of the regular military and naval advisors of the President as Commander in Chief of the Army and Navy."

At the end of summer, the Chief of Staff, George C. Marshall, issued an order that acknowledged that "The military and naval intelligence services have gone into the field of undercover intelligence to a limited extent." and accepted the premise that "the undercover intelligence of the two services should be consolidated under the Coordinator of Information." The Navy, with the massive New York-based Phillips organization at stake, held out until Vincent Astor, at Donovan's suggestion, suggested that it might be necessary to call the Navy's secret operations to the attention of President Roosevelt, a rather clear indication that the Navy had never briefed the President about them.

General Marshall's agreement to transfer the undercover units to COI carried one disclaimer: "In the event of or the immediate prospect of any military or naval operations by the United States forces in any part of the world, however, the armed forces should have full power to organize and operate such undercover intelligence organizations as they may deem necessary."

It came to pass. In 1942, General George V. Strong, the G-2 of the Army and one with an intense hatred of the OSS, the successor to COI, established his own intelligence system under the control of Col. John V. Grombach. As one observer has noted: "This resulted in one of the most unusual organizations in the history of the federal government. It was developed completely outside of the normal government structure, used all of the normal cover and communications facilities normally operated by intelligence organizations, and yet never was under any control from Washington."

[The Grombach organization, according to one of its members, continued after World War II with agents serving under Army civilian cover in U.S. Embassies behind the Iron Curtain. There, the member said, the Grombach group was eminently successful in smuggling key Bloc figures to the free world. One author has noted that the organization, which was supported by subsidies from other government departments--a broad hint of State Department involvement, consistently produced intelligence reports which gave no indication of place of origin, and flatly refused to identify its sources to CIA, which it considered insecure.

[The Grombach organization, the author says, soon turned to production of "dirty linen" reports attacking those in CIA it considered "sinister," and before long began feeding them to Senator Joseph R. McCarthy as "not only its right, but its responsibility." They even proposed that the entire organization go to work for the Senator doing nothing but investigating employees of the United States Government. The government concluded that a false network, leaning heavily on the product of European "paper mills," was at work and closed down the operation in the late 1940s.]

The Library of Congress immediately established a Division of Special Information, an extensive central reference function in support of the COI, and the Army and Navy agreed to transfer existing secret intelligence functions to Donovan's organization. Recruitment of personnel began, and the beginnings of America's wartime secret intelligence organization were in place by the end of December, three weeks after the Japanese attack on Pearl Harbor.

The disaster came and the nation was unprepared politically and militarily. As Roberta Wohlstetter wrote in *Pearl Harbor: Warning and Decision*:

"We can now see what disaster it was signaling, since the disaster has occurred. But before the event it is obscure and pregnant with conflicting meanings. It comes to the observer embedded in an atmosphere of 'noise,' i.e. in the company of all sorts of information that is useless and irrelevant for predicting the particular disaster . . . Apparently human beings have a stubborn attachment to old beliefs and an equally stubborn resistance to new material that will upset them."

There is a lesson in all this, and none said it better than President Woodrow Wilson in discussing his dilemma at the time of the Zimmerman Telegram:

"You have got to think of the President of the United States as the chief counsellor of the Nation, elected for a little while but as a man meant constantly and every day to be the Commander-in-Chief of the Army and Navy of the United States, ready to order them to any part of the world where the threat of war is a menace to his own people.

"And you cannot do that under free debate. You cannot do that under public counsel. Plans must be kept secret.

"Knowledge must be accumulated by a system which we have condemned, because it is a

spying system. The more polite call it a system of intelligence.

"You cannot watch other nations with your unassisted eye. You have to watch them with secret agencies planted everywhere.

"Let me testify to this my fellow citizens, I not only did not know it until we got into this war, but did not believe it when I was told that it was true, that Germany was not the only country that maintained a secret service. Every country in Europe maintained it, because they had to be ready for Germany's spring upon them, and the only difference between the German secret service and the other secret services was that the German secret service found out more than the others did, and therefore Germany sprang upon the other nations unaware, and they were not ready for it."

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