

Director's file.

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EMERSON BIGELOW
2709 DUMBARTON AVENUE, N. W.
WASHINGTON 7, D. C.

31 January 1948.

Roscoe H. Hillenkoetter, Rear Admiral, USN

Washington 25, D. C.

My dear Admiral:

In view of the possibility that my recent resignation from the Central Intelligence Agency has been brought to your attention by Col. Galloway, I am desirous to lay before you a more complete exposition of the case history than Col. Galloway might feel impelled to give you. There are, furthermore, in this situation as in all controversies two sides. It seemed likely to me that you would want to know mine in order that you might form a more adequate judgment of the case than you might derive from a one-sided presentation. This is the more important to you inasmuch as there is a possibility that outside inquiry might be made of you concerning this particular situation.

All that I can be sure you know or have heard of me and my work is that I am an "arbitrageur" of foreign bank notes, and that my "job is a highly complex one", or so it was described to you in my hearing the one day I met you in my room when you made a trip through Que Building last Spring with Mr. De Bardeleben. It was you, in fact, who asked if I were not an "arbitrageur".

Actually my functions and history of my training and experience are more extensive than this might indicate.

In World War I from Yale University I volunteered and was accepted upon the outbreak of War for service in the USNRF as a signal quartermaster. I was selected with others to attend certain classes in naval intelligence at the War College at Newport, R. I. Later I was given a provisional commission with the USNRF only shortly thereafter to qualify for an accelerated course at the U. S. Naval Academy. The successful completion of this course with honors resulted in my receiving a temporary commission in the regular USN. Part of my World War I experience was in naval intelligence. I have, therefore, a sound practical knowledge and have had a working experience in intelligence work. After World War I I became an international banker and after many years won recognition as an authority on international finance and foreign exchange operations. It was due to this, as well as to my

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PERSONNEL
Bigelow, Emerson

World War I experience, that I was asked to engage in fiscal counter-intelligence work shortly after the German invasion of Poland. This I continued until I was called to Washington in the early days of the O.S.S. It was due, in great measure, to this happy combination of experience in fiscal intelligence operations and in foreign exchange that my work in O.S.S. proved so successful. My record of success was not only recognized by many, but was deemed worthy of a special letter of commendation by the Director of O.S.S., and of laudatory comment by the then Under Secretary of the Treasury. It has furthermore been recognized by every succeeding commanding officer or Director since those days until the incumbent - Col. Galloway. My O.S.S. work entailed the proper handling, bookkeeping and accounting as an individual Agent Cashier of some 30 odd million dollars used in connection with special financial arrangements or in connection with the secret foreign financial supply function in all parts of the world except Central and South America, in which areas O.S.S. did not function. This was a greater sum than used by any other Agent Cashier.

Now I come to the history of the specific difficulties which have led to my reluctant resignation. In the Spring of 1946 Mr. E. D. Echols was appointed Chief of the Special Funds Branch to liquidate the outstanding advances and accountings of O.S.S. under the direction of the Strategic Services Unit of the War Department, pending decision as to the ultimate disposition of this Unit. In July 1946 when it was decided that this War Department Unit was to be turned over to the Central Intelligence Group and that this Group was to become a permanent adjunct of government, and, as such, to resume some of the secret intelligence procurement operations of the former O.S.S. on an expanding scale, Mr. Echols, in view of the possibility that his job would be an expanding one, immediately attempted to change the character of his work and to build up a new job. In order to do so and because of his lack of operational experience, he proposed a number of policies to Col. Galloway, which the latter was tempted to support because of his own operational inexperience and because they were presented to him as measures of protection to his own probable position. I protested some of these proposals as operationally unsound to the then Director, Col. W. W. Quinn, who took immediate steps to insure to me the necessary facilities to carry on my work, by appointing me as Chief of the Fiscal Intelligence Unit, the support of which I needed for a continuance of the financial support operations, which I was also asked to supply. Both Col. Quinn and I had the full concurrence and cooperation of the then Chief of Operations, Mr. S. B. L. Penrose. This modus operandi carried on successfully until the Spring of 1947 when there took place an internal reorganization ordered by General Vandenberg and planned by Col. Galloway's appointees, who were not only operationally inexperienced but had no financial responsibility of any kind for the outcome of their recommendations. The adoption by Col. Galloway of the part of the reorganization affecting my duties and responsibilities was only made possible because, in the meanwhile, both Col. Quinn and Mr. Penrose had been supplanted. Under the reorganization, my position was put back under

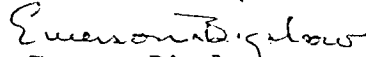
Mr. Echols, although I was given "autonomy" by a special directive, approved by Col. Galloway. Actually under the new arrangement I was given additional responsibilities but was provided with reduced facilities for carrying them out. The highly desirable Special Fiscal Intelligence Unit, described on the attached sheet upon which I had leaned heavily in an attempt to minimize the financial risks inherent in my operations, was broken up. Furthermore in spite of Col. Galloway's directive establishing my "autonomy" of action, Mr. Echols acted as if it did not exist and privately stated that his actions would not be guided by it. These facts were brought to Col. Galloway's attention and he promised he would investigate and, if necessary, issue new orders, re-establishing my autonomous status, and would see to it that these new orders would be carried out. This was in October 1947 when I felt compelled to serve positive notice that my position had been untenable for some time and was steadily deteriorating. I informed Col. Galloway that I would have to resign if immediate and positive remedial action was not taken. He asked me to continue as best I could until his return from Europe. This I did, again pointing out the deplorable and highly risky state of affairs. At the time of Col. Galloway's return Mr. Echols himself was abroad. Col. Galloway again promised to "have a talk" with Mr. Echols upon the latter's return, and protested he had not had time to take further action. At my suggestion Counsel investigated my situation, and uncovered, I believe, many examples of inefficiency and interference on the part of Mr. Echols, and found that my presentation of my untenable situation was accurate and well founded.

In order that the situation might be saved, even at this eleventh hour, I consulted many of the men who had been and still were the direct beneficiaries of my services, all of whom had had previous field experience and had been financially maintained by my efforts. From these consultations, there evolved a broad suggestion of organizational set-up and procedure, which was legal and highly constructive. Had it been adopted by Col. Galloway and put into effect, he would have obtained simultaneously the benefit of Mr. Echols' training and of the training, experience, technical knowledge and proven value of the writer. But Col. Galloway did not approve the suggestion nor did he even explore the detailed possibilities. He did promise to tighten up certain administrative procedures, which, I believe had been reported to him by Counsel as badly needing correction. To this time I have seen no evidence of "this tightening up". Not only did Col. Galloway not explore the possibility of this broad constructive suggestion, born of the experience and training of field men, but he made it quite clear to me that he had no confidence in my recommendations. He even appeared to be critical of my motives in making them and in bringing to his attention a picture of maladministration in the Special Funds Division which was seriously interfering with the hitherto successful carrying out of my duties and responsibilities.

Quite incidentally, but for the record, may I say here that Col. Galloway is the first Commanding Officer who has ever impugned my motives or who has seen fit to downgrade my efficiency record, in spite of the grading of my former Commanding Officers, the while he was using the term "expert" when describing me and my work.

That my duties call for a highly technical knowledge of foreign exchange, for an ability to evaluate fiscal intelligence, for a "know how" obtained only from operational experience, and for a personal integrity beyond question can not be denied. My record, when reviewed from all these angles speaks for itself, and its success can be easily ascertained by consultation with the Operating or Foreign Branch Heads who have had field experience, with the Chief Disbursing Officer of the U. S. Treasury, or with any other Treasury official with whom I have had to work to carry out my duties. I am not only willing and prepared but am anxious to have my World War II record in C.S.S. closely scrutinized by any impartial and qualified group. Furthermore, in the event that proper conditions are restored and that the U. S. Government should wish to have me, I should be only too willing to resume my work and to exert my every effort along these lines, I believe my potential contribution, though relatively small, to be so important in this work at this time, that I am willing to resume my efforts if I can be given reasonable assurance of an opportunity to carry them on successfully without undue operational difficulty.

Respectfully,


Emerson Bigelow.

Attachment

The Special Projects Division - Fiscal (SPDF) was originally set up to accomplish two ends.

1. To correlate information, received from our sources, on foreign exchange rates, secret financial dealings, black market operations, counterfeiting, gold smuggling, etc., which was of paramount importance to me, either as spot or background information on trends of prices. This information tended to minimize the risks inherent in my operations of buying foreign currencies and had been made readily available to me through an I.B.M. punch card cross index system.

2. To disseminate much of this same information to certain divisions in the U. S. Treasury. From the very beginning of OSS we found that when we passed information to the Treasury, it, in turn, would reciprocate by passing back to us the type of information which I needed. The Treasury had often advised us that our information was of spot, background, or continuing interest to it. Fiscal Intelligence obtained from clandestine sources is important, and when there was a particular piece of information required by the Treasury, which, due to the training of some of our personnel we felt we could obtain, we would query the field, and very often get the required information. It is known that on more than one occasion the Treasury accepted our information and acted on it.