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Preface

For now we see through a glass, darkly.

1 Corinthians, 13:12

With the exception of the U.S. Civil War and World War II, perhaps no period in American history has generated as much research as the Cold War, particularly the early years of that period. The attention is well deserved. The antagonism between the United States and its allies and the Soviet Union and its allies significantly influenced the political, diplomatic, military, economic, scientific, and cultural history of much of the second half of the twentieth century. Given the impact of the Cold War—an impact not always felicitous for the world and its inhabitants—historians have expended much energy and imagination to understand how the conflict began, investigating the possible contributions of political ideologies, economic systems, national security interests, domestic politics, religion, race, culture, and gender.

In their determination to develop a comprehensive understanding of the origins of the Cold War, historians have neglected one element: intelligence. A student seeking to understand the role of espionage in shaping U.S. suspicions toward the USSR in the critical period 1945–1946 would be hard pressed to find detailed information beyond references to Alger Hiss, Whitaker Chambers, Elizabeth Bentley, and the “atom bomb spies,” all examples of *Soviet* espionage against the United States. But what of American espionage? Typically, accounts of the early Cold War simply ignore American intelligence operations. The first volume of the authoritative *Cambridge History of the Cold War* is devoted entirely to “Origins,” but nowhere does it discuss espionage. Intelligence appears in a single essay in the second volume, “Crises and Détente,” but this essay has nothing to say about American clandestine activities before 1948. In their surveys and monographs respected historians of the Cold War, such as Melvyn Leffler and John Lewis Gaddis, scarcely mention intelligence. The periodical literature is no more helpful. Over their fifteen-year histories the two leading journals in the field, the *Journal of Cold War Studies* and *Cold War History*, have together published

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scarcely a dozen articles on intelligence subjects, and most of these concern topics from the later Cold War. The handful of articles dealing with the immediate post–World War II period invariably deal with the intelligence operations of the Soviet Union and its East European client states, such as Poland and Czechoslovakia.

The disinclination to investigate intelligence operations in the early Cold War has led to certain gaps in accounts of that period. One example may illuminate the problem. No historian has done more to illuminate American diplomacy in that period than Melvyn Leffler, but he has not cast his light into some of the darker corners of Washington's foreign policy. In *The Specter of Communism: The United States and the Origins of the Cold War, 1917–1953*, for example, Professor Leffler makes no mention of American intelligence operations in his discussion of the years 1945–1946. He is, however, puzzled that by early 1946 President Harry S. Truman seem “predisposed” to a tougher policy toward the Soviet Union and that the president and his advisers discounted such indicators of Moscow's efforts at accommodation and flexibility as the demobilization of the Red Army, free elections in Hungary and Czechoslovakia, and the establishment of representative governments in Austria and Finland. He is hard pressed to explain this American posture except by reference to intangibles such as personal predispositions, ideological biases, or “immense fears” of Soviet intentions and capabilities. It escapes Professor Leffler's notice—as well as that of other distinguished historians of the early Cold War—that in the first year of peace American policy makers may have been receiving secret intelligence reports from Europe that challenged or counterbalanced reports of Soviet demobilization or Russian flexibility in Eastern Europe. American policy makers may have had immense fears because secret intelligence gave them serious cause to be fearful.

Indifference to American intelligence operations in the early Cold War has led historians to overlook the activity—indeed the very existence—of the Strategic Services Unit (SSU), an espionage service that played an important role in the evolution of U.S. policy toward the Soviet Union in the early postwar period. Established in the War Department from the remnants of the Office of Strategic Services (OSS), America's wartime intelligence service abolished by presidential order in October 1945, SSU represented the country's clandestine intelligence capability in the first year of peace. Understaffed and underresourced, SSU nevertheless ran clandestine collection operations to uncover the capabilities and intentions of the Soviet Union, a political entity so opaque that Winston Churchill famously described it as “a riddle wrapped in a mystery inside an enigma.” These operations were im-

portant to Washington's policy making since not only the White House, but also the State Department and the War and Navy Departments, depended on SSU for secret information concerning Soviet affairs.

The story of the Strategic Services Unit and its operations remains untold. Even among specialists the organization has received little attention. Intelligence historians have described the postwar political battles in Washington that accompanied the demise of OSS and the eventual appearance, two years later, of the Central Intelligence Agency (CIA), but they have largely ignored the organization that struggled to maintain the country's clandestine intelligence capabilities while these political battles raged. In its thirty-year history, *Intelligence and National Security*, the premier journal in the field, has published hundreds of articles on all aspects and periods of intelligence history, but only eighteen of those articles even mention, let alone feature, the Strategic Services Unit. The most comprehensive history of U.S. intelligence through the Cold War, Christopher Andrew's *For the President's Eyes Only: Secret Intelligence and the American Presidency from Washington to Bush*, mentions SSU in only a single sentence and does not discuss U.S. human intelligence operations in the months immediately following the end of World War II. In his *Cloak and Dollar: A History of American Secret Intelligence*, Rhodri Jeffreys-Jones makes no reference at all to SSU or to clandestine operations in the first year of peace. Tim Weiner's *Legacy of Ashes: The History of the CIA* devotes 10 pages (out of 702 pages) to the years 1945–1946, but he limits his discussion to the bureaucratic battles over the end of OSS and the beginning of CIA. He refers to SSU in only two sentences and does not describe any of its operations. For such authors it is as if the history of American espionage was interrupted between 1945 and 1947. The handful of specialist monographs have not filled the gap. Most, such as Peter Grose's *Operation Rollback: America's Secret War behind the Iron Curtain*, ignore the immediate postwar period and focus not on espionage but on special operations to arm anti-Soviet partisans and spread anticommunist propaganda. The few with an espionage focus—*Battleground Berlin: CIA vs KGB in the Cold War* by David Murphy, Sergei Kondrashev, and George Bailey is an example—treat SSU operations in only a few pages as part of a longer historical arc or a focus on a particular locale.

It is apparent that in histories of the Cold War as well as histories of intelligence the role of American espionage, especially agent operations, in the period immediately following World War II remains unexplored territory. This book is an effort to map that territory for the first time by surveying the history of the Strategic Services Unit and providing details of its operations in Europe, particularly those aimed at collecting information on the Soviet

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Union. These operations—many revealed for the first time—illuminate a secret war of espionage, disinformation, kidnappings, and political subversion that broke out soon after the surrender of Germany. More importantly, the “spy stories” will reveal the quantity and quality of information collected by SSU and other American intelligence services and disseminated to policy makers in Washington and elsewhere. Any effort to understand the attitudes and responses of those policy makers will remain incomplete without a consideration of that information and the organizations that provided it.

The genesis of this book was a casual conversation over coffee during the annual meeting of the Society for Historians of American Foreign Relations in Washington, D.C., in 2003. It was only several months after that coffee break that the idea for a book on American intelligence in the early Cold War moved from casual banter to serious action: from “Someone should write a book” to “We should write a book.” Over the following ten years the project proceeded in fits and starts, often interrupted by the demands of other projects or commitments and then, most seriously, by the unexpected death of one of the authors, Eduard Mark. This terrible loss raised questions about the completion of the book, questions that eventually were answered by a resolution to see the project through, if only as a testament to his memory.

This project could not have been begun, let alone completed, without the encouragement and assistance of many individuals. The authors owe a special debt to veterans of the Office of Strategic Services and the Strategic Services Unit, some of whom are no longer with us, who recalled their service in Europe after the Second World War and patiently answered questions about American and Russian clandestine operations in that period: Karl Abt, Tennent Bagley, Richard Cutler, Albert Materazzi, James McCargar, Hugh Montgomery, Thomas Polgar, Harry Rositzke, Peter Sichel, and Hans Wynberg. Many colleagues in academe and the larger community of intelligence historians in Europe and the United States offered advice and generously shared the fruits of their own research: Christopher Adam, Matthew Aid, Duncan Bare, Jeffrey Barlow, Siegfried Beer, Steve Budiansky, Jonathan Clemente, Ralph Erskine, Peer Henrik Hansen, Igor Lukes, Tamas Meszercsics, Kevin Ruffner, Mark Stout, and Michael Warner.

My wife, Donna Kelley, endured yet another book with her usual patience, aplomb, and good humor. I have promised her that this is the last one and that she can permanently reclaim the dining room table. Without her encouragement and understanding this book and so much else in my life would have remained incomplete.

My friend and coauthor, Eduard Mark, passed away in the middle of the project and in the midst of a distinguished career as a historian of the Cold

War. A remarkable talent, who published major articles in the *American Historical Review*, *Journal of American History*, and *Foreign Affairs*, Edward brought to the study of the Cold War a prodigious appetite for research, an insightful and critical intelligence, and a willingness to challenge—one might say an enthusiasm for challenging—conventional academic wisdom and embrace academic controversy. The historical profession will feel his loss as much as his friends and family.

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Spying through a Glass Darkly



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CHAPTER ONE

On the Precipice of Peace

At the end of the Second World War the United States deployed an intelligence apparatus that was—with the possible exception of the secret services of the Soviet Union—unrivaled among the belligerents in its size and reach. That reach extended from the mountains of Afghanistan to the beaches of Zanzibar as thousands of men and women, working in a myriad of agencies, scrutinized newspapers, magazines, and trade journals in dozens of languages; monitored foreign radio broadcasts; intercepted the communications of governments, businesses, and private citizens; interviewed travelers and refugees; interrogated prisoners of war; purloined documents from guarded buildings; and recruited a legion of informants ranging from cooks and cleaners to generals and cabinet ministers. Remarkably, this apparatus had been created during the war virtually from scratch. Despite more than a century and a half of national experience, participation in many wars and military interventions, and exposure to various domestic and international crises, the United States had been slow to establish standing professional espionage services to inform and guide political and military leaders. Presidents and generals, reflecting a broader national revulsion against the skulduggery and intrigue associated more with European absolutism than American republicanism, preferred to rely on ad hoc organizations, assembled and deployed when the need for information arose and then disbanded once the need had passed. This approach ensured that the country's experience with intelligence organizations was decidedly mixed. In some cases, such as the Lewis and Clark reconnaissance mission to the Pacific coast in 1804–1806, the nation was adequately served by temporary arrangements, but more frequently, particularly in times of war, the deficiencies of improvisation and amateurism quickly became apparent to national leaders desperate for accurate and timely information.

A permanent peacetime intelligence office first appeared in 1882 when the navy created the Office of Naval Intelligence (ONI). The army followed suit by establishing the Military Intelligence Division (MID) in 1885. Poorly staffed and inadequately funded, these service organizations shunned anything smacking of espionage and limited their activities to collecting maps, photographs, and newspaper articles of military interest and collating the reports of the handful of army and navy officers who were attached to certain

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American embassies. After America's entry into the First World War on 6 April 1917, ONI and MID increased significantly in size and expanded their activities to include modest ventures into secret operations, such as communications intelligence (comint), the interception and decryption of the secret communications of other governments. After the armistice in November 1918, however, staffing and operations returned to the modest levels of pre-war practice.¹

In the two decades following the First World War the United States claimed the status of a great power but maintained the intelligence resources of a minor power. Although the mediocrity of American intelligence organizations in the period 1918–1941 is often exaggerated and many of the problems that constrained their efforts also afflicted the secret services of other countries, there is no question that in the interwar years American intelligence capabilities were limited.² There was no central organization responsible for collecting, evaluating, and disseminating to policy makers foreign political, economic, and military information. By tacit agreement, intelligence tasks were apportioned among various government departments. The State Department claimed a monopoly on foreign political and economic information, while coverage of military developments overseas fell to the Military Intelligence Division and the Office of Naval Intelligence. Counterespionage, the pursuit of foreign spies on American soil, was largely the bailiwick of the Federal Bureau of Investigation (FBI), although the military services, particularly the navy, occasionally made forays into this area. Cooperation among these agencies was rare, and there was little effort to coordinate operations. The dissemination of information was compartmentalized, with reports moving up vertically in an organization but rarely laterally to other organizations. The State Department, for example, did not distribute embassy cables or dispatches to army or navy intelligence offices, which, in any case, exhibited little interest in political or economic reporting from abroad. MID reports circulated within the War Department, but they rarely passed to either the State Department or the Navy Department until the late 1930s, when military intelligence officers began to share with their counterparts in State and Navy some of the foreign diplomatic messages intercepted and decrypted by army code breakers.

Toward the end of the 1930s, as the world moved closer to another global war, American policy makers still relied on small, underresourced organizations capable of pursuing only a narrow range of intelligence activities. In 1938, for example, the Military Intelligence Division, the organization responsible for collecting and distributing information on the organization, deployments, and capabilities of the world's armies, employed only sixty-nine people. MID's Intelligence Branch, the section directly concerned with the

collection and evaluation of intelligence, numbered as few as eight officers. That year the army's Signal Intelligence Service, the specialized and highly secretive unit charged with intercepting and decrypting foreign diplomatic and military communications, had a staff of barely two dozen. When Germany opened a European war by invading Poland on 1 September 1939, the Office of Naval Intelligence had only sixty-three people in its Washington headquarters. Of the seventeen naval attachés serving in American embassies, ONI's eyes and ears abroad, only nine were in Europe.³

Intelligence units were modest in stature as well as size. Within their parent organizations, intelligence offices and their staffs were marginalized, receiving little attention and less respect. In no government department or military service was intelligence work a separate career path. Personnel usually rotated through brief tours in intelligence before returning to more mainstream assignments. The work still carried a whiff of dishonor and disrepute for its supposed recourse to thievery, blackmail, bribery, and other unsavory practices. Particularly in the armed services, ambitious and capable officers, believing intelligence assignments would tarnish their reputations and retard their careers, sought to avoid such posts. The resulting paucity of experienced personnel combined with a weak professional identity and narrow definitions of institutional mission to constrain efforts to obtain information. Most of these efforts centered on American embassies where diplomats and the army and navy attachés represented the collection end of the intelligence process. The emphasis was on acquiring information from open sources such as newspapers, journals, personal observation, and contacts with foreign colleagues. There was little effort at clandestine espionage, that is, the recruitment and control of secret informants who were cajoled or suborned to provide confidential information. The State Department strictly eschewed espionage as an unseemly and unprofessional activity that, if exposed, would discredit American diplomats, embarrass the United States government, and poison relations with foreign governments. The army and the navy were hardly more enthusiastic about spying, and during the 1930s neither had a clandestine espionage service, although the navy briefly experimented with recruiting spies in China. In the army, commanders consistently opposed the employment of secret agents as unethical or unnecessary. Recalling the state of MID collection efforts in the 1930s, General George C. Marshall, the army chief of staff during World War II, acknowledged that intelligence was "little more than what a military attaché could learn at a dinner, more or less, over the coffee cups."⁴ For its part, ONI actively discouraged its representatives from recruiting informants, and in 1933 it circulated an order that required each naval attaché to employ "only such means as are consonant with his official position and the diplomatic relations that he bears to the

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government which receives him as naval attaché.” A separate directive specifically warned the attachés against employing “immoral women” as agents, primly observing that “a woman that will sell herself is usually willing to sell her employer.”⁵ Such directives did little to encourage an aggressive approach to intelligence collection. On 1 September 1939 the American naval attaché in Berlin, ONI’s sole representative inside Nazi Germany, had no clandestine informants and collected information solely from open sources: newspaper articles, official briefings at the German naval ministry, conversations with colleagues in the local attaché community, and officially organized and supervised trips beyond the capital. That year the director of naval intelligence admitted that “a real undercover foreign intelligence service, equipped and able to carry on espionage, counterespionage, etc. does not exist.”⁶

By increasing the demand in Washington for information while exposing the limited ability of existing practices to satisfy that demand, the outbreak of the European war stimulated a modest expansion in American intelligence capabilities and efforts. Even before Japan’s surprise attack on American military installations at Pearl Harbor, Hawaii, on 7 December 1941 catapulted the United States into what had become a global war, both the army and navy had begun—albeit slowly—to reconsider their hostility toward clandestine intelligence operations. In August 1941, for example, MID dispatched a retired officer to the Far East to survey the potential for establishing espionage networks in the region. This officer’s encouraging report reached Washington four weeks before Pearl Harbor, too late for MID to act upon it before Japan attacked.⁷ The navy also recognized the need to expand its intelligence program to include clandestine collection. In the summer of 1940, ONI established a Special Intelligence Section to recruit and run secret agents abroad. It was, however, a modest effort. The headquarters staff for the new section consisted of a retired naval officer recalled to active duty and a clerk. After more than a year of effort the unit had managed to recruit only a handful of sources in Latin America, the Far East, and the Middle East.⁸ In the months before Pearl Harbor both the army and the navy discovered the price of their neglect of informant networks, which, to the dismay of MID and ONI, could not simply be wished into existence when required. While the services grappled with the problems of constructing such networks from scratch, they took steps to improve foreign intelligence collection in the short term by expanding significantly their attaché systems; sending training, liaison, and observer missions to the armed services of many belligerent and neutral countries; and augmenting their communications intelligence units.⁹ With operations expanding, there were tentative attempts to coordinate better the disparate activities of the State, War, and Navy Departments and the FBI. In the summer of 1939, State, MID, ONI, and FBI, prompted by Pres-

ident Franklin D. Roosevelt, had formed the Interdepartmental Intelligence Committee (IIC) to consider the government's intelligence and counterintelligence efforts, particularly in the Western Hemisphere. After a year of desultory discussions the committee concluded that the United States required a special organization devoted exclusively to clandestine foreign intelligence operations. There was, however, less agreement on who should control this organization. While fully expecting to influence the direction and priorities of the proposed clandestine service, neither the army nor the navy wanted to engage in actual espionage for fear that such operations might compromise the diplomatic status of their attachés abroad. The FBI refused to accept sole responsibility for espionage operations without sole authority to direct those operations, authority that the other members of the committee were loath to concede. For its part, the State Department, aghast at the mere thought of espionage, wanted nothing at all to do with spies and spying. President Roosevelt resolved the impasse by ordering, on 24 June 1940, a division of responsibilities. The FBI received responsibility for foreign intelligence work in Latin America, for which task it established a Special Intelligence Service (SIS), while MID and ONI covered the rest of the world. The State Department successfully protected its virtue, receiving no additional responsibilities beyond its traditional—and entirely above board—political reporting.¹⁰

Roosevelt's directive did little to remedy the lethargy, decentralization, and parochialism that seriously constrained the American intelligence effort. As much attitudinal as administrative in origin, these deficiencies could not be alleviated by new boxes and lines on organization charts. Jealous of their prerogatives and protective of their institutional interests, IIC members were reluctant to pursue any initiatives that might undermine their respective authorities, budgets, and statuses. Within a month of the president's directive, for example, MID was challenging the FBI's monopoly on Latin American intelligence operations, arguing that the new Special Intelligence Service should merely supplement, not replace, the collection activities of military attachés.¹¹ In such a bureaucratic environment, effective mechanisms for coordinating collection programs and sharing and collating intelligence reports across departmental lines remained elusive. Even more serious was the continued failure to accelerate—beyond the FBI's nascent and narrowly focused SIS—the expansion of clandestine collection capabilities.

The continuing disarray in the American intelligence community troubled those in the government, such as President Roosevelt, Secretary of War Henry Stimson, and Secretary of the Navy Frank Knox, who believed that war was creeping closer to the United States and that the country had to hasten its efforts to address the threat. Frustration and concern, particularly in the White House, stimulated additional organizational initiatives, the most

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important of which was a presidential directive on 11 July 1941 establishing a new office, the Coordinator of Information (COI). Responsible directly to the president, charged with collecting, analyzing, correlating, and disseminating to the White House and interested departments information concerning national security, and empowered to secure relevant material from other agencies or departments of the government, COI appeared over the opposition of its putative partners in the State, War, Navy, and Justice Departments. Vigilantly patrolling the boundaries of their organizational turf, these departments considered the new agency a threat to their institutional prerogatives and independence and feared subordination to a “super” intelligence agency. The president’s selection of William J. Donovan to run COI did little to assuage their concerns. A much-decorated hero of the First World War, successful Wall Street attorney, prominent Republican, and assistant attorney general in President Calvin Coolidge’s Justice Department, “Wild Bill” Donovan had previously been entrusted by Roosevelt with confidential political missions to Europe. Two trips to Britain in 1940 to survey that country’s prospects against the Axis powers included extensive briefings by British authorities on the organization and activities of His Majesty’s intelligence organizations. The British, their backs against the wall and desperate for any assistance from the United States, hoped to cultivate closer intelligence cooperation with Washington, but suspected that the Americans could contribute little to the relationship until they reformed and energized their fragmented and uncoordinated intelligence programs. These meetings—as the British probably intended—convinced Donovan that the United States required a larger and more centralized intelligence service to navigate through the political and military storms that were engulfing the world. He made it his mission to create and lead that service, and his advocacy, in the spring and summer of 1941, was a significant factor in Roosevelt’s decision to establish COI.¹²

Scorned and distrusted by its sister agencies, COI struggled to find a place in the national security structure. Although the lack of an effective clandestine espionage capability remained the most serious deficiency in American intelligence, the new agency did little at first to remedy that defect. Donovan’s plans may have included a clandestine service, but he moved slowly to implement those plans. Perhaps to assuage fears of a “secret police” lurking in the shadows of American government and disarm bureaucratic competitors protective of their operational turf, the COI director focused initially on mobilizing the resources of universities and research centers such as the Library of Congress to prepare and circulate to policy makers reports on political and economic issues arising from the war. In composing these reports, COI analysts would depend primarily on open sources, but would

also incorporate information generated by the collection efforts of the army, navy, FBI, and State Department. Secondly, Donovan expected his organization to assume a leading role in propaganda and psychological warfare, for which purposes it would again rely primarily on information provided by other parties.¹³ COI's original mission, therefore, precluded any significant commitment to espionage operations. Furthermore, the political and organizational effort to launch a new agency and the bureaucratic competition for personnel, facilities, resources, and authorities so consumed the attention and energy of Donovan's fledgling intelligence service that, initially, it developed relatively few independent sources of information. In October 1941, however, Donovan's organization took its first, tentative steps into the clandestine world when MID and ONI, still leery of that seemingly sinister and dangerous world, agreed that COI should have full responsibility for espionage operations beyond the Western Hemisphere.¹⁴ Donovan promptly created within COI an office for secret intelligence, but this unit had barely begun its work when the United States suddenly found itself at war.

By exposing the continuing deficiencies of American intelligence and embarrassing MID and ONI, the unanticipated Japanese attack on Pearl Harbor demonstrated that recent initiatives, such as the creation of IIC and COI, had done little to improve collection and dissemination practices. The Japanese attack also strengthened the resolve of those in Washington, including William Donovan, who were committed to thoroughly revamping the nation's intelligence apparatus. Entry into the war, however, simply set off another round of bureaucratic battles over control of intelligence programs, and the prospects for the Coordinator of Information were particularly uncertain. The armed services, which after Pearl Harbor were acutely sensitive to any suggestion that they were not up to the intelligence challenges of war, remained eager to abolish the upstart agency and distribute its functions among the military intelligence offices. For his part, William Donovan fought hard not only to protect COI but to significantly expand its role. In the spring of 1942, Donovan's organization began to move more aggressively into the area of clandestine collection operations, placing officers under State Department cover in American embassies and consulates in several neutral countries and co-opting traveling American businessmen and scholars. No one, however, not even the ambitious and energetic Wild Bill Donovan, could conjure spy networks from thin air. Progress was slow. As late as May 1942, there were still fewer than twenty-five COI representatives operating abroad.¹⁵ To disarm his opponents in the military, who recoiled from the prospect of an independent civilian service insensitive to the needs and unresponsive to the direction of admirals and generals, and to establish a more secure political base, Donovan (with Roosevelt's support) agreed to place his organization under the Joint

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Chiefs of Staff. Rechristened the Office of Strategic Services (OSS), the service theoretically was responsible for all intelligence collection, analysis, and dissemination, but in practice OSS fell short of Donovan's vision of a centralized national intelligence service. From its creation, interdepartmental rivalries and bureaucratic politics limited the scope of its mission and the range of its activities. The FBI managed to exclude OSS from any role in domestic counterintelligence and countersubversion. Teaming up with the Office of the Coordinator of Inter-American Affairs, an organization established by presidential directive in July 1941 to counteract Axis propaganda and commercial penetration in South America, the FBI also contrived to prohibit Donovan's people from operating in Latin America, which throughout the war remained the bailiwick of the Bureau's Special Intelligence Service. For their part, the army and navy successfully protected the autonomy of their respective intelligence services and successfully asserted exclusive control over communications intelligence programs, excluding OSS from any share of these most secret radio-intercept and code-breaking operations.

Undeterred by bureaucratic opponents, Donovan quickly turned the Office of Strategic Services into an intelligence organization that, at least in size and activity, was unprecedented in American history. At the height of the war OSS employed 12,995 personnel with almost 5,000 of these working in Europe alone. Most of these individuals worked quietly and safely at desks in Washington, London, Cairo, New Delhi, Chungking, and other cities around the globe, collating and evaluating reports from the field, translating newspapers and documents, administering programs and budgets, and performing the myriad tasks required to maintain a large bureaucracy and support field operations. Many of Donovan's men and women, however, worked closer to the edge on the "mean streets" of Europe, Asia, and Africa, recruiting and running secret agents, purloining papers from offices and hotel rooms, running guns and explosives to resistance groups, leading guerilla raids and sabotage missions, and generally practicing the dark arts of espionage and conspiracy at a level hitherto unimagined by any American save the most inventive writers of cheap thrillers. The result of this frenetic activity was a flood of political, military, economic, geographic, and social intelligence that informed decision makers to a degree unprecedented in American history. The most significant aspect of Donovan's empire, however, was not the size of its staff or the range of its activities. What principally distinguished the Office of Strategic Services from its predecessors and contemporaries in American intelligence history was its clandestinity. OSS was self-consciously a *secret* espionage service. Though thousands of its employees may have fought the war from desks in office buildings, OSS was in its heart and its imagination all about spies, covert operators, and secret missions, and

it gave the United States a clandestine espionage capability that the country had never before enjoyed.¹⁶

The Office of Strategic Services represented only one element in a major expansion of American intelligence resources. During the war the army and navy significantly increased their collection efforts. The small prewar military offices that had relied largely on newspapers, magazines, and the observations of a handful of attachés for their view of the world evolved into large bureaucracies. By early 1943, for example, the Office of Naval Intelligence, which ten years earlier had scarcely more than a dozen representatives abroad, was receiving information from a worldwide reporting net that included twenty-nine naval attaché offices, twenty-two naval observer posts, and forty-three naval liaison missions, plus dozens of officers working as “shipping advisors” or “petroleum observers” in a swath of territory from South America to South Asia.¹⁷ For all their growth, however, the military’s information services continued to define their missions narrowly. Both the Military Intelligence Division and the Office of Naval Intelligence tended to focus on tactical intelligence in support of military operations. Order-of-battle intelligence—information about the size, location, organization, and capabilities of enemy forces—was the highest priority. Political, economic, and social developments—issues often central to wartime policy making—received less attention. The service intelligence organizations, moreover, still relied primarily on relatively overt methods: military attachés and observers; ground, sea, and air reconnaissance; aerial photography; interrogation of prisoners of war; and translation of captured enemy documents. The Office of Naval Intelligence had actually abandoned its nascent clandestine capabilities by transferring its small Special Intelligence Section to COI in the summer of 1941. For its part the army, after Pearl Harbor, made modest forays into the clandestine world. The army’s Counterintelligence Corps, for example, occasionally went undercover to ferret out subversives, spies, and black market operators. More significantly, in the spring of 1942 the army quietly established a new unit, the Special Service Branch, to recruit and run secret informants. Major General George Strong, the assistant chief of staff for intelligence and a relentless opponent of William Donovan and all his works, refused to cede responsibility for clandestine espionage to COI or its successor, OSS. Convinced that Donovan was an unscrupulous empire builder and concerned that the military’s intelligence requirements would lose priority in any organization controlled by Wild Bill, General Strong created the Special Service Branch to ensure that the army had its own spies. Known to initiates as “the Pond,” this small and shadowy organization was so cloaked in secrecy that few people, even among intelligence insiders, knew of its existence. Under the direction of John “Frenchy” Grombach, a West Point graduate who

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left the regular army in 1928 to pursue a successful career in commercial radio, Pond representatives usually adopted the cover of businessmen as they recruited informants and built agent networks. The organization focused on Europe, and by the end of the war Grombach—who shared Strong's suspicion of and disdain toward Donovan—claimed to have clandestine sources reporting from several countries, including Hungary, Norway, Portugal, and Sweden.¹⁸

For the armed forces—and American decision makers in general—the richest information came not from spies or covert operators but from hundreds of men and women working with graph paper, pencils, dictionaries, and data-processing machines at desks in closely guarded buildings in the Virginia suburbs of Washington and along the capital's Nebraska Avenue. Before the war the military services had small communications intelligence units devoted to intercepting and decrypting the secret diplomatic, military, and naval messages of foreign powers. Shortages of personnel and resources, however, combined to limit their attention primarily to the codes and ciphers of Japan and secondarily to those of Germany, Italy, and Mexico. The solution of the machine cipher used by the Japanese foreign ministry for its most confidential communications—designated PURPLE by the Americans—was the greatest achievement of the code breakers before Pearl Harbor. At a time when American intelligence possessed not a single clandestine source inside Germany, Italy, or Japan, access to Japanese diplomatic messages provided the small circle of decision makers aware of this top secret program insight into the intentions not only of Japan but, through the reports of Tokyo's ambassadors in Berlin and Rome, of the other Axis powers. After Pearl Harbor the code-breaking units, the army's Signal Intelligence Service and the Navy's OP-20-G, significantly expanded their operational capabilities. By the end of the war, for example, the army service, now known as the Signal Security Agency, controlled eleven major and dozens of minor intercept stations that regularly monitored more than three hundred foreign commercial and government radio transmitters and thousands of military and diplomatic circuits. In June 1945 alone these stations intercepted 783,767 commercial, diplomatic, and military messages. At Arlington Hall, a one-time finishing school for young women, whose campus outside of Washington the army requisitioned as the headquarters of its communication intelligence service, hundreds of cryptanalysts cracked the diplomatic and military ciphers of some sixty governments—allied, enemy, and neutral—while linguists translated decrypted messages in twenty-five languages. The successes of the code breakers, one of the best-kept secrets of the war, provided unprecedented access to the intentions and activities of friendly, hostile, and neutral

governments and represented the greatest achievement of wartime American intelligence.¹⁹

The wartime experience of organizational growth, resource expansion, and operational escalation left the United States at the end of the war with a tested intelligence capability that extended around the globe. This capability was distinguished not only by its reach but by the diversity of its sources. Never before had policy makers had so much information to guide their decisions. On 15 August 1945, the first day of peace, the intelligence available to policy makers in Washington would have included dispatches from American diplomats and military attachés in foreign capitals; decrypted diplomatic, military, and naval messages of dozens of governments; summaries of international press stories and radio broadcasts; interviews with refugees and prisoners of war; liaison reports from friendly foreign intelligence services; and the revelations of thousands of secret informants. These sources were so extensive and rich that, in the late summer of 1945, the United States appeared finally to have developed an intelligence capability commensurate with its status as a world power and one well positioned to allow policy makers to discern and address important political, economic, and security issues as they emerged on the postwar horizon. Unfortunately, appearances were deceiving. While impressive on paper, the intelligence structure after VJ (Victory over Japan) Day was seriously challenged by deleterious conditions that intelligence managers could not or would not alleviate. These conditions threatened to reverse the improvements in collection, analysis, and distribution achieved during the war and to return the United States to the intelligence desert of the prewar years.

William Donovan had not waited for the war to end to begin thinking about the peace. As early as the spring of 1943, the OSS director had begun speaking with his senior staff about intelligence requirements in the postwar world and the prospects for their service in that world. By the fall of 1944 these discussions had evolved into a draft proposal for a peacetime national intelligence organization that, not surprisingly, looked like a more empowered Office of Strategic Services. The proposal envisaged an independent agency, based largely on the organization and personnel of OSS, reporting directly to the president, who would appoint its director. A board composed of the secretaries of state, war, and navy and such other members as the president might designate would advise the director. The organization would control its own personnel and budget. Focusing on strategic intelligence to guide national decision makers, it would independently collect, analyze, and distribute intelligence. The collection function included espionage and counterintelligence. The military services would retain their intelligence units to

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service their special requirements, but the proposed national intelligence organization would coordinate their activities, as well as those of civilian agencies such as the FBI, and have access to the fruits of their efforts. The proposed service would have no police or domestic law enforcement powers.²⁰

In October 1944, Donovan informally shared his proposal with the White House. Although some on the presidential staff were receptive, important presidential counselors received the report with skepticism. Harry Hopkins, the president's closest advisor, who personally disliked the flamboyant OSS chief, solicited the advice of now retired General George Strong, onetime chief of army intelligence and an implacable adversary of William Donovan. Strong fervently advised Hopkins to oppose the plan, arguing that the proposed postwar agency was unnecessary, cumbersome, and possibly dangerous. The president's budget director, Harold Smith, was also hostile, although his opposition probably reflected his concern for reducing rather than increasing postwar government departments and their expenses. While unhelpful, the hostility of senior advisors would not have mattered if the president himself had embraced Donovan's proposal, but he did not. Enervated by his deteriorating health, convinced that the American public would expect a smaller government after the war, and more than a little irritated by the importuning OSS director, Roosevelt gave Donovan no encouragement.²¹ Blind to the warning signs, Donovan brashly pushed forward. On 12 November 1944 the OSS director officially submitted to the president his proposal for a postwar intelligence service and, rather presumptuously, appended for the president's signature a draft of an executive order establishing that service. Ignoring the draft executive order, Roosevelt circulated Donovan's proposal to his advisors and to the State, War, and Navy Departments for comment. The reaction, predictably, was hostile and marked the opening salvo in a political battle that, to the detriment of American intelligence, would continue to distract national security managers long after the death of Franklin Roosevelt and the end of the war.

The political conflict was engaged around four important issues. The first concerned what might be called the architecture of American intelligence. Military and political leaders disagreed about the size and shape of the country's peacetime intelligence capabilities. Some, including Harry S. Truman, who assumed the presidency upon the death of Franklin Roosevelt on 12 April 1945, and Francis Biddle, FDR's attorney general who remained in office in the first months of the new presidency, feared that a large secret intelligence and security apparatus posed a potential threat to the freedoms of American citizens. Others, such as the influential director of the Bureau of the Budget, Harold Smith, worried that a large postwar intelligence establishment would

be an unnecessary drain on the government's finances as the nation returned to a peacetime economy. These civilian leaders easily convinced themselves that peace would significantly reduce the need for intelligence organizations and that modest capabilities would be sufficient for the country's needs. This attitude also allowed them to consider with equanimity a second issue that threatened the prospects for postwar intelligence: demobilization. After the war, Washington would face enormous political pressure to release from military service the millions of men and women who had been mobilized for war. Since the vast majority of intelligence personnel were in military service, the demands of demobilization would militate against maintaining anything but a modest postwar intelligence structure. The third issue concerned control. While profoundly sensitive to the impact of demobilization, an important group of skeptics, found largely among senior officers of the armed services, worried less about the size of postwar intelligence and more about who would control it. Perpetuating the military's wartime hostility toward OSS, these officers stoutly resisted any proposal for a powerful civilian national organization that might preempt existing army and navy intelligence units. They insisted that the only way to ensure that the army and navy received the intelligence they needed was to empower each of the services to collect its own information free from control or interference by outside authorities or organizations. The last issue of contention concerned targets. What kinds of intelligence would the United States require in the postwar world? Should intelligence programs concentrate on monitoring defeated enemies in order to prevent a resurgence of fascism and militarism or should efforts focus on other countries, including wartime allies, whose postwar political and economic interests might conflict with those of the United States? What methods—spies, communications intercepts, traditional diplomatic reporting, open sources—were best suited for covering postwar targets?

The first casualty of the intelligence war in Washington was the Office of Strategic Services; the second casualty was William Donovan. After submitting his plan for a postwar central intelligence organization to the White House, Donovan had departed for a tour of OSS facilities in Asia. In his absence from Washington, the enemies of his reorganization plan worked to ensure its demise. The armed services proposed an alternative plan in which the president would appoint a director of national intelligence whose budget and operations would be controlled by a "national intelligence authority" composed of representatives from the State, Navy, and War Departments. By stripping the director of independent authority and devolving operational, as opposed to purely advisory, functions to a committee of interested departments, none of which would forsake its independent intelligence capabilities,

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the military proposal was the antithesis of Donovan's vision of a centralized intelligence organization to which all service or departmental services would be subordinate.

The traveling OSS chief was kept apprised of developments at home through reports from his deputy, Brigadier General John Magruder. More attuned than his boss to the changing political climate in Washington, Magruder suggested that the military's plan for a joint intelligence authority might be the best deal for postwar intelligence they could get. Donovan, who blithely assumed that he would direct whatever intelligence organization emerged after the war, had no intention of subordinating himself to a committee. He dismissed his deputy's advice and remained confident that he could outmaneuver his enemies. Returning to Washington in mid-February 1945, Donovan found himself and his service the targets of sustained attacks by his political enemies. On 9 February Walter Trohan, the Washington correspondent for the vehemently anti-New Deal McCormick-Patterson newspaper chain, which included the large circulation *Chicago Tribune* and *Washington Times-Herald*, had published a long article revealing Donovan's postwar plans and accusing the OSS chief of plotting to create a powerful, Gestapo-like intelligence service to spy on Americans after the war. Since Trohan's account included word-for-word text from Donovan's proposal, it was clear that the proposal had been deliberately leaked to the journalist. The inflammatory article was merely the first in a series of hostile press stories that denigrated OSS as a corrupt, incompetent, and unnecessary agency and portrayed William Donovan as a power-mad New Dealer who would introduce the secret police into American life.²²

Eventually, Donovan would respond to the press attacks by launching his own media campaign, unilaterally declassifying and sharing with sympathetic journalists hundreds of secret reports in an effort to educate the public concerning the work of OSS and its contributions to the war effort. He had faced down political enemies before and believed he could do so again, but this time he underestimated the strength of the opposition. The death of Franklin Roosevelt, moreover, seriously weakened Donovan's position. Although over the course of the war he had become somewhat disenchanted with "Wild Bill," Roosevelt understood the value of intelligence and was usually willing to give his OSS chief a sympathetic hearing. The new president, Harry S. Truman, knew little about Donovan and less about intelligence, but harbored a suspicion that the Office of Strategic Services represented a distasteful and disreputable element in wartime government that required very close watching. This suspicion probably intensified when, shortly after Roosevelt's death, Truman received a report on OSS prepared by Colonel Richard Park, a military aide in the White House. The report was a scathing

indictment of OSS, accusing Donovan's agency of numerous improprieties and missteps ranging from reckless and unprofessional field operations to wild orgies among personnel at foreign stations. Park claimed that President Roosevelt had secretly commissioned the report and that the result reflected investigations conducted in various theaters of the war. In fact, the document represented an effort by Donovan's political enemies to undermine his credibility and derail his plans for a postwar intelligence service by impugning his direction of the Office of Strategic Services. The impetus for the report came not from Roosevelt but from John Grombach, the chief of the Pond, the army's small clandestine intelligence service, who had directed his agents to record every derogatory allegation, rumor, and item of gossip concerning OSS. Grombach, an ambitious intriguer who despised Donovan and feared that a civilian national intelligence agency would displace his own service, collected these stories in a memorandum that he passed to Colonel Park. The colonel simply reshaped Grombach's charges, added additional unsavory (and unverified) stories of OSS incompetence or corruption happily provided by the FBI, and presented the whole as the product of his independent investigation. Although it deliberately exaggerated certain events and circumstances, such as reports of OSS personnel hosting wild parties, and misrepresented others, such as the claim that an OSS operation to purloin documents from the Japanese legation in Lisbon compromised successful efforts to read Japan's ciphers, the Park report would not have comforted a new president who was already inclined to be suspicious of Donovan and his ambitions.²³

Harry Truman was not so naïve as to believe that he could fulfill his presidential duties without access to information about the world, and he harbored no animus toward intelligence work in general. The future of postwar communications intelligence programs, for example, was never questioned in the White House, and neither the Signal Security Agency nor OP-20-G received the scrutiny reserved for OSS; indeed on 12 September 1945 the president readily approved without extended discussion a request from the secretaries of state, war, and navy to continue communications intelligence collaboration with Britain. Human intelligence programs and the control of those programs were the problems. Truman was open to a clandestine service, but aside from knowing he didn't want a service shaped and directed by William Donovan, he didn't know what kind of intelligence organization would be best suited for the postwar world. For advice he turned not to his intelligence chiefs, but to the Bureau of the Budget, which, by the summer of 1945, had begun planning for postwar demobilization and the liquidation of various agencies established to prosecute the war.

The Budget Bureau recommended the immediate dissolution of the Of-

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office of Strategic Services and the disposal of its organizational assets. Specifically wartime capabilities, such as paramilitary and propaganda units, would be terminated outright. The research and analysis branch, useful for its studies of long-term political and economic issues, would move, in much reduced form, into the State Department, while the remaining elements, mainly the clandestine espionage service, would move into the War Department for “salvage and liquidation.”²⁴ The reference to “salvage” suggested that the Budget Bureau’s planners anticipated that some, as yet undetermined, clandestine capabilities would be retained in the postwar world, albeit in a modest form appropriate for peacetime. The plan was an interim response to immediate requirements, particularly demobilization, and would serve until the government sorted out its peacetime requirements and structures. Truman accepted the Budget Bureau’s recommendation, and on 20 September 1945, he signed Executive Order No. 9621 dissolving OSS and distributing its parts to the State and War Departments. That same day, the president sent William Donovan a brief and rather cool letter of dismissal masquerading as a letter of appreciation.²⁵

Executive orders are not self-implementing, and this was apparent in the War Department’s response to Truman’s directive. Whatever the expectations of the White House, neither Robert Patterson, the secretary of war, nor John McCloy, the assistant secretary of war responsible for the newly arrived refugees from Wild Bill Donovan’s secret world, was inclined simply to liquidate the assets of the intelligence and counterintelligence units, demobilize their personnel, and close the shop. Both believed deeply that America’s need for timely and comprehensive information about the world did not end with the war and that the country’s postwar security required a clandestine intelligence capability. While various government agencies, including their own, debated the precise scope and shape of such a capability, the secretary of war and his deputy were determined that the clandestine operators from OSS and their records, now designated the War Department’s Strategic Services Unit (SSU), should be protected and nurtured as a separate unit rather than simply being absorbed into the army’s military intelligence office. In their instructions to Brigadier General John Magruder, the newly designated director of SSU, Patterson and McCloy emphasized not only the termination of unnecessary activities and the demobilization of personnel, but also the preservation of important assets and the maintenance of programs that might prove useful in the future.²⁶

This double-barreled mission seriously complicated the work of General Magruder. A professional army officer whose prewar career included service as military attaché in China and Switzerland and command of the War Department’s Intelligence Division, Magruder had served in OSS as William

Donovan's principal deputy. He now faced the difficulty of pursuing two missions that were in tension with each other. To fulfill Truman's executive order he had the melancholy duty of supervising the disposal of the remaining OSS assets—bases, training establishments, equipment stores, archives, secret bank accounts, agent networks, liaison arrangements—while responding to the orders of his immediate superiors in the War Department to maintain a nascent foreign intelligence capability by preserving many of the very resources he was supposed to be liquidating.

Liquidation was the easy part of the assignment. Any number of people in Congress and the White House, for example, were eager to help General Magruder achieve this goal by reducing dramatically the funds available for the maintenance of an intelligence service. In the last months of the war, Congress had granted OSS a budget of \$20 million for the fiscal year 1945–1946, a sum less than half that authorized for 1944–1945. With the Japanese surrender on 14 August 1945 the White House and Congress were eager to secure an immediate “peace dividend” by eliminating or reducing significantly the budgets of all war agencies.²⁷ The Office of Strategic Services was a particularly tempting target for economies. In September 1945 President Truman recommended to Congress a reduction in the \$20 million earlier authorized for OSS to a new level of \$10.5 million. He further recommended that the lower figure be used exclusively for expenses related to closing OSS. Eager to demonstrate its own frugality, Congress indicated that it was willing to reduce the president's suggested figures by an additional \$2 million. Since by this time OSS had already spent or obligated almost one-third of the original \$20 million, Magruder faced the prospect of maintaining SSU on a very thin diet for the remainder of the fiscal year.²⁸

Manpower was an even bigger issue than money; indeed, the SSU director was losing people faster than he was losing dollars. It was a curious feature of America's secret world in the first months of peace that at the very time when intelligence managers were furiously maneuvering for advantage on the bureaucratic battlegrounds of Washington, their field armies were shrinking. Wartime staff levels simply could not be sustained. Most of the intelligence organizations were part of the military, and as such they experienced the same loss of personnel through demobilization as other military elements. The majority of operational planners, analysts, agent runners, interrogators, code breakers, document specialists, and photo interpreters wanted to return to civilian life as much as any infantryman, pilot, or seaman. As the United States made the transition from war to peace, the intelligence services positively hemorrhaged personnel.

No service, even the most successful, was immune. The army and navy code breakers were the elite of the intelligence community, and their con-

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tributions to the war effort were unmatched by other American services. Convinced that their intelligence product had amply demonstrated its importance and confident that their customers in the American government would insist on continuing their access to foreign communications after the war, senior communication intelligence managers anticipated an expansion of intercept and cryptanalytic operations in the postwar world. At Arlington Hall, for example, army officers visualized a peacetime network of sixteen fixed monitoring stations—five more than the wartime net—that would encircle the globe and establish American antennae as far afield as Reykjavik (Iceland), Cape Town (South Africa), Manila (Philippines), and Quito (Ecuador). These grandiose visions did not outlive the Japanese surrender. Like their counterparts in other American intelligence organizations, communications intelligence managers were soon in contraction mode: closing intercept stations, scaling back operations, and watching helplessly as hundreds of highly gifted and experienced cryptanalysts, intercept operators, and linguists returned to civilian life. Between September and December 1945 the combined strength of the army and navy comint services fell from 36,500 to 7,500 men and women, a reduction of almost 80 percent. In their most pessimistic projections of postwar staff levels, army code breakers had assumed in August 1945 that they would be able to hold on to at least 5,000 men and women for postwar operations. A year later their roster numbered fewer than 4,000 personnel. The navy's Communications Supplementary Activities (CSA)—as OP-20-G had been renamed in July 1945—went from 9,100 men and women in September 1945 to 3,000 in June 1946. In the four months following Japan's surrender, the navy closed ten of its sixteen radio intercept stations.²⁹ The impact on crucial code-breaking programs in the first year of peace was devastating. By July of 1946, for example, staff in the CSA section responsible for solving complex machine ciphers had declined from forty-three to seven, and three of the latter were scheduled to depart in August. The section commander wearily concluded, "So many have left or are soon to leave that it is difficult to continue functioning."³⁰

No services were hit harder than the Office of Strategic Services and its successor, the Strategic Services Unit. At the end of the war William Donovan had presided over an intelligence empire whose outposts and operations were scattered around the globe. In the immediate postwar period the borders of that empire contracted significantly. Training schools, warehouses, safe houses, and other support facilities were closed, spy rings dissolved, communication networks shut down, and foreign intelligence stations deactivated or reduced in size. In September 1945, for instance, OSS had twenty-three bases in China, but by the end of October the number had fallen to eight, and that total would have been even lower if the U.S. Army's China

Theater Headquarters had not specifically requested the continuation of intelligence operations in the area until the end of the year.³¹

At its height, in 1944, OSS had employed 12,995 people. After VJ Day, demobilization quickly reduced that number. On 1 October 1945, when General Magruder assumed command of the newly rechristened Strategic Services Unit, the organization was down to 9,028. Three weeks later the number had been reduced to 7,640, including 2,879 staffers earmarked for separation from the unit before 1 November 1945. The general anticipated that by the end of the year his command would shrink to fewer than two thousand people. Foreign intelligence stations were decimated, with the European posts absorbing particularly debilitating blows. Some secret intelligence stations, such as those in Lisbon, Madrid, and Rome, were simply closed, while others struggled to survive with a corporal's guard of operators. By the end of 1945 the SSU mission in London, once the largest fiefdom in Donovan's domain, had lost 90 percent of its personnel. The staff of the station in Stockholm fell from fifty to six.³²

Staff reductions had a deleterious impact on operations. Recalling the first months of peace, Colonel (later Lieutenant General) William Quinn, the executive officer of the Strategic Services Unit and subsequently its director, observed that "the intelligence collection effort more or less came to a standstill."³³ The OSS/SSU stations in Europe were particularly affected. Station chiefs repeatedly warned Washington that the loss of experienced personnel was compromising operations. As early as August 1945, for example, the Paris station informed headquarters that the "constant pressure" to retrench was forcing the unit to slow down and in some cases completely suspend collection programs. In September, the Vienna station, which only a month earlier had felt compelled to submit a memorandum begging headquarters to keep the newly opened Austrian office alive, flatly announced that it no longer had sufficient personnel to fulfill its intelligence mission. The following month Allen Dulles, whose wartime service for OSS in Switzerland made him America's most accomplished spymaster, resigned as chief of the German mission in part because he had concluded that his unit's capabilities were hopelessly compromised by cutbacks in funds and personnel. Time did not cure the ill. In early 1946 the European stations were still complaining about "acute" and "vexing" personnel shortages, and a senior SSU official had to explain to a War Department review panel that his service had very few deep-cover penetration agents because retrenchment prevented the recruitment of new sources.³⁴

It was naïve of the intelligence services to assume that the end of the war would have little impact on their status and operations. Reductions in the scope and tempo of operations allowed reductions in personnel, and politi-

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cal leaders in Washington were eager to seize any opportunity to reduce the size and cost of government agencies and to satisfy constituents who wanted to “bring the boys [and girls] home.” Most of these men and women were only too happy to go home and, unlike organizational managers, did not see personnel reductions as problematic. Many of the departing personnel were individuals whose skills and experience were seemingly ill-suited for a peacetime intelligence service, but more than a few were valuable staffers who would have contributed significantly to such a service. Under the “first in, first out” demobilization guidelines, the departures were heavily weighted toward those with the most experience. The talent drain was so severe that in early 1946 SSU managers concluded that only 30 percent of their service’s clandestine officers could be considered first-class or highly professional, and one senior officer candidly acknowledged, “In the flood of personnel released in our past liquidations the great majority of our best intelligence personnel have left the organization.”³⁵

As the intelligence services struggled to retain sufficient staff to maintain a modicum of operational capacity, senior officials in Washington struggled over the structure within which those services would operate. On the day he signed the executive order abolishing the Office of Strategic Services, President Truman also signed a letter directing Secretary of State James F. Byrnes to establish an interdepartmental committee to develop, under State Department leadership, “a comprehensive and coordinated foreign intelligence program” for his approval.³⁶ The presidential directive set off several weeks of desultory meetings in which the usual bureaucratic actors, replaying scenes from the pre–Pearl Harbor struggle to coordinate U.S. intelligence, bickered over authorities, definitions, and responsibilities. The Bureau of the Budget, which no one had thought sufficiently informed or concerned to include in the prewar debates but which now interjected itself into the postwar discussions, preferred an approach that would avoid the need to create—and fund—new agencies; after all, in the immediate postwar period the Budget Bureau was in the business of closing, not opening, government agencies. Dismissive of “spies and intrigue” and “the development of new or special sources of information,” the Budget Bureau advocated a focus on “really basic intelligence,” a concept the bureau never bothered to define. Since basic intelligence was most useful at the point of decision or action, the intelligence function should be performed at the level of departments or even subdepartments. This was a call for extreme decentralization of intelligence, even within departments. Acknowledging that some intelligence might be required to guide decisions above the level of particular departments—say, at the presidential level—the bureau proposed that the State Department procure and develop such intelligence as well as supervise any “integrated

Government-wide programs” that should be required. Nowhere in its plan does the Budget Bureau discuss, or even identify, the methods by which “basic intelligence” might be collected. Given its aversion to “spies” and “special sources of information,” it probably imagined an effort dependent primarily on open sources and traditional diplomatic reporting. The role, if any, of clandestine collection remained unaddressed.³⁷

Aside from the fact that State could not decide what role, if any, it wanted to assume in a postwar intelligence structure, the Budget Bureau’s plan received no support from other agencies. These agencies could not agree on a postwar intelligence structure but they could agree that, whatever the structure, they did not want the State Department at the top of it. The Federal Bureau of Investigation, which congratulated itself on its responsibility for wartime intelligence operations in South America, thought the national interest would best be served by expanding that responsibility to include the entire globe, thereby centralizing intelligence in a single agency, the FBI. Unfortunately for the FBI, no one else thought so, least of all President Truman, who believed the bureau staffing should be returned to prewar levels and its activities limited to U.S. territory.³⁸ For their part, in September 1945 the armed services advanced a “federal” approach that ensured that the military would have a significant, if not dominant, voice in postwar intelligence affairs. This approach allowed the services to retain their departmental intelligence units, such as the Office of Naval Intelligence, but provided for a “national intelligence authority” composed of the secretaries of state, war, and navy plus a representative of the Joint Chiefs of Staff. This group would coordinate all federal intelligence activities; address national intelligence issues that transcended particular department requirements or authorities; and direct a central intelligence organization that would perform services required by the national intelligence authority, including the direct collection of intelligence and the synthesis and dissemination of information collected by all relevant departments. This organization would be commanded by an individual appointed by the president on the recommendation of the national intelligence authority. A committee composed of the chiefs of the intelligence offices of the State, War, and Navy Departments would advise the commander of the central intelligence organization.³⁹

Despite President Truman’s directive of 20 September, Secretary Byrnes and his department had not taken a strong leadership role in the discussions over a postwar intelligence structure, partly because the military services were not inclined to subordinate their preferences to those of State and partly because Byrnes was distracted by other responsibilities, particularly his participation in the meetings of the Council of Foreign Ministers. Concerned by the lack of progress, Truman, in early November, decided to summon to

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the White House the secretaries of state, war, and navy to reiterate the importance of working together toward the creation of a “Central Intelligence Service.” Although the White House meeting never occurred, the president’s impatience was apparent, and the three secretaries now moved forward with greater purpose and alacrity. The reference to a central intelligence service also indicated that the president was inclined against the Budget Bureau’s recommendation for decentralization within established departments. Although the State Department fought a rearguard action to defend its claims to dominance in the intelligence field, the military services and their preferences won out. On 7 January 1946, the secretaries of state, war, and navy sent the president a plan for the organization of postwar intelligence.⁴⁰ The plan was basically that proposed by the armed services the previous September. After slight revisions in the White House—and a futile last-minute intervention by Budget Bureau director Harold Smith on behalf of his agency’s original proposal—Truman accepted the plan. On 22 January the president signed a directive designating the secretaries of state, war, and navy, plus one additional person to be selected by the president, as members of a National Intelligence Authority (NIA). The directive also created a Central Intelligence Group (CIG), under a director of central intelligence (DCI) to be named by the president, to assist the National Intelligence Authority. Composed of personnel from the Departments of State, War, and Navy, the Central Intelligence Group would perform various duties including the “correlation and evaluation of intelligence relating to the national security . . . and the appropriate dissemination within the Government of the resulting strategic and national policy intelligence.” The presidential directive also stipulated that CIG perform for the NIA “services of common concern” to the three supervising departments, a euphemism understood by all to refer to clandestine espionage.⁴¹ The ascendancy of the armed forces was complete when two days later Truman appointed Rear Admiral Sidney Souers, the deputy director of naval intelligence, as the first director of central intelligence and Fleet Admiral William D. Leahy, the president’s personal military adviser, as the White House representative on the National Intelligence Authority.

While a step in the direction of centralization, the Central Intelligence Group had no independent staff or budget, depending instead on the three departments represented on the NIA for personnel and funds. It also possessed no independent operational capabilities, again depending on the resources of other departments. To perform its coordinating functions, CIG had to rely on other agencies to share whatever information they collected, but the presidential directive was not clear as to whether the new entity had the authority to compel sharing. The army and navy communication intelligence units, for example, simply refused, on grounds of security, to share

the results of their code-breaking programs. Most importantly, it was not clear how CIG, lacking a clandestine collection capability of its own, would perform those “services of common concern” that included espionage.

The Central Intelligence Group was an intelligence *office* but it was not an intelligence *service*, an organization with operational capabilities. To become the latter, CIG would have to acquire a clandestine element ready and willing to conduct foreign clandestine operations around the globe. Such organizations were not exactly thick on the ground in early postwar America; indeed, there was only one, the Strategic Services Unit. General John Magruder had anticipated CIG’s problem and identified a solution. On 14 February 1946, three weeks after President Truman had established the new national intelligence structure, the SSU director, noting that “it was generally understood that the Central Intelligence Group would, as one of its major functions, operate a clandestine service for procurement of intelligence abroad,” warned his superiors that it would be “inefficient” for the State, War, and Navy Departments to detail personnel for temporary assignment in such a service if and when suitable personnel became available. As an alternative, Magruder proposed that the new Central Intelligence Group accept control of the Strategic Services Unit, an experienced organization in being that was prepared, from day one, to provide the complete array of operational capabilities from administration, transportation, and communications to a worldwide system of intelligence stations and clandestine networks. Why go to the time and trouble of building a clandestine service, the general implied, when you could simply acquire one off the shelf.⁴²

General Magruder’s proposal made sense to Admiral Souers. On 19 February the director of central intelligence issued his first major order, Central Intelligence Group Directive No. 1, which established a special committee to investigate the resources, facilities, and operations of the Strategic Services Unit; identify those elements that should be preserved and continued in the national interest; and recommend who should assume responsibility for administering the preserved elements.⁴³ Under the chairmanship of Brigadier General Louis Fortier, a former military attaché to Yugoslavia, and composed of representatives from the State Department, the Office of Naval Intelligence, the War Department’s Military Intelligence Division, and the office of Army Air Corps intelligence, the committee convened a series of meetings in February and March 1946 at which it received written and oral testimony from SSU’s senior administrative and operational officers, including the chiefs of the Secret Intelligence (SI) and Counterintelligence (X-2) Divisions. General Magruder and his officers believed in the value of the Strategic Services Unit, and they clearly hoped to preserve it—and their jobs—but their testimony was surprisingly candid, noting the weaknesses as

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well as the strengths, the failures as well as the successes, of their organization. They reviewed their efforts to maintain the nucleus of a clandestine service and described some of the programs that nucleus had initiated despite mission uncertainty and resource shortfalls. Most importantly, Magruder and his deputies argued that the United States required a clandestine service devoted to national intelligence needs as opposed to the purely departmental needs already served by such organizations as the Office of Naval Intelligence and the army's Military Intelligence Division. For its part, the Fortier Committee discovered, perhaps to its surprise, that five months after the dismissal of Wild Bill Donovan and the abolition of the Office of Strategic Services the United States still had a clandestine intelligence service that, despite organizational vicissitudes, was actually running operations in the field and collecting intelligence.⁴⁴

For all its difficulties, the Strategic Services Unit had survived as the country's principal clandestine intelligence organization in the immediate postwar period. While Washington officialdom dithered over the structure and purposes of postwar intelligence, General Magruder, with the support of Robert Patterson and John McCloy, had husbanded scarce resources, fended off bureaucratic rivals, and maintained modest operational capabilities. If William Donovan was the father of modern American intelligence, John Magruder was its savior, sheltering the flame of clandestine operations from the crosswinds of budget cuts, demobilization, and interdepartmental politics. When its director appeared before the Fortier Committee, SSU's principal operational components were the Secret Intelligence Division (SI) responsible for collecting and processing foreign intelligence and the Counterintelligence Division (X-2) responsible for protecting the organization from foreign intelligence penetration. Since SSU saw itself primarily as an intelligence service, SI was the heart of the organization. Whitney Shepardson, who had been William Donovan's chief representative in wartime London before returning to Washington to run all OSS clandestine intelligence operations, directed the division. In early 1946 SI employed 437 clerical and operational personnel in Washington and abroad.⁴⁵ At headquarters SI personnel staffed a small office responsible for recruiting Americans for clandestine work; three support offices that performed routine administrative tasks; an operations section (O Branch) responsible for supervising foreign stations and agent activities in the field; and a plans section (P Branch) charged with establishing intelligence requirements, tasking field units with collection priorities, and processing the resulting intelligence intake.⁴⁶

In theory all collection operations were pursuant to guidelines from P Branch, which was divided into sections for political, economic, and tech-

nical intelligence. Government departments, such as State, War, and Navy, were supposed to indicate their intelligence requirements to P Branch, but, as Shepardson lamented, “this very rarely happens in spite of innumerable efforts on our part . . . to get such intelligence directives.” Without direction from its customers, SI was largely left to its own devices, guessing what intelligence might be useful and identifying targets accordingly. The nearest approximation to departmental directives was the occasional responses of the Military Intelligence Division indicating what reports it found interesting and suggesting additional lines of inquiry.⁴⁷ In the months immediately following VJ Day, moreover, uncertainty about the future of the clandestine service inhibited P Branch, which was reluctant to consider future intelligence requirements, priorities, and programs without assurances that the service would survive beyond the next month. This initial passivity caused problems for the field stations, which, lacking guidance from headquarters, were left to wonder what they were supposed to do. In November 1945, for example, the station in Switzerland complained, “We are still without the indispensable directives which would permit us to concentrate on what is really significant. . . . It should not be impossible for S.I. Washington to send out to the field weekly or biweekly cables outlining the particular questions of priority interest in Washington.” Without any guidance from headquarters, some operational units felt as if they had slipped entirely off Washington’s radar screens. In its monthly progress report for October 1945, the Spanish desk of the SSU mission in France—which, in view of the withdrawal of American secret intelligence personnel from the Iberian peninsula as an economy measure, was responsible for collecting intelligence on Spain—noted wryly that yet another month had elapsed without any direction, support, or communication of any type from Washington.⁴⁸

In the field raw intelligence was processed and distributed to local customers by P Branch’s representative in the local SSU station before being forwarded to Washington headquarters. The SSU mission in the American occupation zone of Germany, for example, disseminated copies of its intelligence reports to the offices of the American military governor and his political advisor, the zonal commander of U.S. Army intelligence, its sister mission in Austria, and SSU stations in Britain, France, and Switzerland. The station in Paris passed reports to the local American embassy and the SSU units in Britain, Germany, and Austria. When intelligence reports reached Washington, they were distributed by headquarters P Branch to the army’s Military Intelligence Service (formerly, Military Intelligence Division) and the Office of Naval Intelligence. As appropriate, reports would also go to the State Department, the Treasury Department, and the Alien Property Cus-

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todian. Initially, customers received the raw reports. Aside from grading the reliability of the source, P Branch made no effort to analyze or explain the information or draw conclusions from a particular report or series of reports.⁴⁹

In early 1946, President Truman, annoyed and frustrated by the uncoordinated and undigested intelligence reports that flooded his desk each day, expressed a desire for a single document that would summarize the more important international developments as reported by intelligence sources. In response, the newly constituted National Intelligence Authority, on 8 February 1946, directed the Central Intelligence Group to produce a daily summary containing “factual statements of the significant developments in the field of intelligence and operations related to national security and to foreign events for the use of the President.”⁵⁰ The reference to “factual statements”—as opposed to opinions or recommendations—reflected the State Department’s concern to protect its claim to be the sole source of foreign policy advice for the president. CIG dissemination to the White House, therefore, remained descriptive rather than analytical or prescriptive. The first Daily Summary went to the White House on 15 February 1946. Almost immediately, the secretaries of state, war, and navy were added to the distribution list. Although CIG was supposed to coordinate the government’s intelligence collection programs and produce “all source” reports, it did not have access to communications intelligence produced by the Army Security Agency and the navy’s Communications Support Activity. The Daily Summary, therefore, did not include the intercepted communications of foreign governments. Such highly sensitive material went to the White House and a select group of senior officials in a separate instrument, the daily Diplomatic Summary, produced by the Army Security Agency. Additionally, the president received each day a summary published by the State Department addressing international affairs as reported by American embassies.⁵¹

At headquarters, SI field operations were supervised by regional divisions, which were further subdivided into country desks. In early 1946, for example, the Western Europe Division under Homer Hall had desks for France and Belgium; the Netherlands, Spain, and Portugal; and Switzerland and Italy. In three of these countries—Italy, Portugal, and Spain—SSU had no secret intelligence units, only X-2 (counterintelligence) offices. Positive intelligence concerning these three countries was collected occasionally by the X-2 personnel, but more frequently by SI units in neighboring states. Secret intelligence offices in Paris and Bern, for example, were active in providing coverage of the Iberian Peninsula. Richard Helms directed the Central Europe Division with its subunits for Germany and Austria. The German desk was also responsible for Czechoslovakia and Poland. When, eventually, the Soviet Union began to figure more prominently in intelligence calculations,

Helm's division assumed responsibility for the western part of the USSR (west of the Ural Mountains). The Southeast Europe Division covered Bulgaria, Greece, Hungary, Romania, and Yugoslavia. There were also small divisions for the Far East and Africa, but none for Latin America, which had been the wartime responsibility of the FBI and from which OSS had been excluded. Although the creation of the Central Intelligence Group in January 1946 effectively signaled the end of the FBI's Special Intelligence Service and its responsibility for South America, SSU seemed reluctant to abandon wartime arrangements.⁵²

The operational divisions at headquarters loosely supervised the units in the field. In areas under U.S. military control, such as the American occupation zones in Austria and Germany, the field organizations were known as missions. A mission might exercise responsibility for SSU operations in neighboring areas. The German mission, for example, was responsible for a SSU unit in Czechoslovakia, while the Austrian mission also supervised operations in Hungary. The missions operated overtly or under very shallow cover as elements of the local military command. In other areas the SSU field units were known as stations. By March 1946, the European divisions at headquarters supervised stations in Britain, Belgium, Denmark, France, Holland, Italy, Norway, Poland, Portugal, Rumania, Spain, Sweden, and Switzerland.⁵³

Unlike the missions, the stations were supposed to be entirely clandestine with personnel operating under official or nonofficial cover. The Strategic Services Unit, however, struggled to identify appropriate cover positions. Diplomatic or consular appointments represented the most promising official cover for SI station personnel, but such appointments required the cooperation of the State Department. During the war, OSS had often attached intelligence personnel to American embassies and consulates, although the interaction between diplomats and spies was not always smooth. SSU wanted to continue wartime practice, but the State Department demurred. While prepared to accept into its embassies X-2 personnel whose counterintelligence work included vetting visa and passport applicants, State was not eager to provide facilities for SI officers. In early 1946, Whitney Shepardson acknowledged that there were "very few" secret intelligence personnel working under diplomatic cover, and these were mainly in Switzerland and Turkey.⁵⁴ The situation did not soon improve. In June 1946 Homer Hall, the chief of SI's Western Europe Division, complained to a senior colleague that from the day of its creation SSU had had to beg the State Department for cooperation. The closure of American military installations around the world, which provided convenient cover for intelligence units, had made SSU even more dependent on the diplomats for cover positions. "Without the confidence and

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wholehearted cooperation of the State Department,” Hall observed, “SSU will be so hampered in its functions that justification for its being will be extremely difficult to establish.” Hall proposed the immediate appointment of a senior SSU officer, “a man of certain distinction,” to liaise with State and facilitate an understanding between the two organizations. The goal was to place under diplomatic cover at least one SI officer in every American diplomatic mission.⁵⁵

To SSU officers, the aloofness of the State Department must have seemed especially craven since the diplomats were perfectly happy to accept the work product of the very spies with whom they declined to associate. In one month alone, May 1946, for example, State received 899 intelligence reports from the Strategic Services Unit.⁵⁶ Some diplomatic missions, particularly those in the U.S. occupation zones in Austria and Germany, depended significantly on the political and economic information collected by local SSU teams. The diplomats, however, seemed to take this support for granted. Reviewing the scope of SSU’s support to the diplomats, one senior intelligence officer noted dryly, “Letters of appreciation from State are hard to come by.”⁵⁷

The Strategic Services Unit’s frustration might have turned to anger if it had known that, at the same time the State Department was rebuffing SSU’s advances, the diplomats were embracing cooperation with another clandestine service. Building upon contacts initiated during the war, State had come to an arrangement with the army’s Special Service Branch, the shadowy espionage unit better known as “the Pond” among the handful of high officials indoctrinated into its activities. The State Department allowed certain of its personnel at American embassies in Europe to act as communication channels for Pond operatives, most of whom worked under business or commercial cover. These operatives would pass their intelligence reports to one of these designated diplomats who, in turn, would transmit the reports to the State Department’s Division of Foreign Activity Correlation in Washington for further dissemination among national security managers. Occasionally, a diplomat would move beyond the narrow communications role to collect information directly on behalf of the Pond, but these instances of clandestine activity by embassy officers were not common.⁵⁸ The State Department’s favoritism toward the Special Service Branch to the disadvantage of the Strategic Services Unit probably reflected a concern to protect the professional integrity and autonomy of the diplomatic service. Unlike SSU, which sought to place and control its own officers inside embassies, the Pond sought no positions inside the diplomatic missions, remaining content merely to use a small portion of the time and energies of embassy personnel. Working with the Pond, State did not have to accept into the embassy family “outsiders” who did not share the ethos, culture, and mission of the diplomatic service

and who might embarrass that service by their dangerous and disreputable activities.

That concern to maintain the exclusivity of the “club” was an important motive behind State’s refusal to provide diplomatic cover positions to SSU is apparent in the terms of an agreement the two organizations eventually concluded in the late summer of 1946. The initiative came from Lieutenant General Hoyt Vandenberg, who had succeeded Admiral Souers as director of the Central Intelligence Group in June of that year. On 22 August, Vandenberg proposed to Dean Acheson, the undersecretary of state, certain “basic principles and ideas” concerning State Department support for CIG operations. Vandenberg suggested that a “conservative number” of intelligence personnel receive State Department positions abroad. State and CIG would agree on the qualifications required of these individuals, and State would have the right to interview the candidates to determine their suitability. Once approved, the successful candidates would receive training at State to prepare them for appointment to a particular embassy. Upon appointment, they would have embassy ranks and functions, but their true status as intelligence officers would be known to a minimum number of embassy staff, including the ambassador, who would have access to the officers’ files. To assuage anxieties about compromising the embassy and upsetting relations with the host country, the intelligence operatives inside the embassy would refrain from running operations against local targets. Given the opportunity to participate in the selection, indoctrination, and supervision of SSU officers working undercover in its embassies—that is, given the opportunity to turn outsiders into insiders—State abandoned its opposition to such officers and accepted Vandenberg’s proposal. By October 1946, by which time SSU had been closed and most of its clandestine operators integrated into the Central Intelligence Group, thirteen intelligence officers were receiving indoctrination from the State Department preparatory to deployment abroad in November.⁵⁹

While preferring embassy positions for its officers, the Strategic Services Unit also used other covers. In the fall of 1945, for example, the chief of the SSU station in Prague posed as an official American investigator gathering evidence for war crimes trials. A predecessor had traveled around Czechoslovakia as part of an American army medical mission. Headquarters also worked to place more personnel under nonofficial cover, expecting that officers might pose as students, research professors, journalists, employees of American companies with offices abroad, or independent businessmen. In the spring of 1946, for instance, SSU formally discharged a serving case officer who then, by prearrangement with his former service, set up a trucking business that delivered materials to Hungary, Yugoslavia, and the Russian

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occupation zone in Austria. Though no longer an employee of the U.S. government, this individual continued to report to the SSU mission in Vienna and made his trucks available for clandestine operations.⁶⁰ Some organizations, though potentially rich in cover positions, were deemed inappropriate for intelligence purposes. As late as October 1946 headquarters prohibited the use for cover or recruitment purposes of the American Red Cross, the United Nations Relief and Rehabilitation Administration (UNRRA), and private philanthropic organizations, although there seems to have been no prohibition against the use of religious organizations, such as the Catholic Church and its personnel.⁶¹ Cover identities of any type, however, were useless if individual officers were already known to be spies. Because of their wartime work in OSS, often in the same areas as their postwar assignment, many SSU field officers were well known to local police and security services, particularly in Switzerland, Sweden, Portugal, and Spain. Aware of this problem, SI Washington tried to introduce new personnel into the European stations, but this effort was seriously constrained by staff reductions required by demobilization. In early 1946 headquarters estimated that the identities of 85 percent of its field officers, no matter what their cover, had been compromised, an impossible situation for a clandestine service.⁶²

In the first months of peace, demobilization and uncertainty concerning the structure and direction of American intelligence inhibited the development of systematic collection programs. Headquarters directives concerning intelligence requirements and priorities were few. Lacking guidance from Washington, field units in areas occupied by the U.S. Army (specifically the American zones of Germany and Austria) simply accepted assignments from the military governments and occupation authorities. In other areas, such as France and Switzerland, field units, left to their own devices, generally pursued targets of opportunity, although the pursuit was constrained by lack of personnel and resources. Not surprisingly, collection efforts were uneven across Europe. Stations with particularly ambitious and entrepreneurial chiefs, such as Homer Hall in Bern, ran many operations and flooded Washington headquarters with reports, while other stations, such as those in the Low Countries, launched few operations and did little more than liaise with the local intelligence and security services. Through 1946 foreign operations, whatever their origin or scope, were limited to intelligence and counterintelligence programs, since SSU had, as part of its general retrenchment, abandoned all covert paramilitary and propaganda activities.⁶³

In addition to organizing and directing clandestine collection programs, the field stations were also responsible for maintaining contact with foreign intelligence and police agencies. During the war OSS had developed productive liaison arrangements with several foreign services, and SSU continued

the connections after the war. In January 1946 SSU had confidential ties—of varying degrees of cooperation—with the intelligence and security services of Britain, Belgium, Czechoslovakia, Denmark, France, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, Thailand, and Turkey as well as contacts with the remnants of the wartime service controlled by the former government-in-exile of Poland.⁶⁴ At a time when its own collection efforts were constrained by demobilization and insufficient resources, SSU relied on its liaison partners to extend its reach into areas that were beyond the organizational capabilities of American intelligence. As we shall see, SSU happily supplemented its own sparse collection with information from the French on Eastern Europe, the Danes on Poland, the Swedes on the Baltic States, the Italians on Yugoslavia, and the British on just about everywhere.

The smaller services were particularly eager to cooperate with the Americans. Aware of their own limitations—and unaware of the organizational and budgetary problems afflicting their new American partners—these services expected to expand their intelligence reach and enhance their technical capabilities by connecting with a “rich uncle.” One appraisal of liaison relations noted that the Danish, Dutch, and Swedish services in particular had “a definite Western bias” and were “enthusiastically” seeking collaboration.⁶⁵ Among these collaborators, Britain’s Secret Intelligence Service (SIS) was by far the most important. During the war the United States and Britain had developed close intelligence liaison, particularly in the sensitive area of code breaking but also in clandestine espionage, counterintelligence, special operations, and disinformation, and both sides hoped to continue that relationship into the postwar world. The Anglo-American communications intelligence partnership made the transition from war to peace with scarcely an interruption mainly because the highly secret comint programs were never an important battlefield in the intelligence wars that wracked bureaucratic Washington in the summer of 1945. For these programs, whose importance was readily acknowledged by all, the question was not whether they would continue but at what level would they continue. The future of human clandestine programs—spies and covert operations—was more problematic. Uncertainties regarding the postwar prospects for American clandestine intelligence initially encouraged a certain reserve among SIS managers who watched the bureaucratic battles in Washington with more than a little consternation. The demise of their wartime partner, the Office of Strategic Services, without an assured successor agency was especially unsettling. British authorities were not prepared to share secrets with an American intelligence service until they were confident that the service would survive beyond the next month, thereby ensuring not only the security of those secrets but a reciprocal flow of American confidences. As early as 16 August 1945, the day

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after Japan's surrender, a senior SIS officer had confessed to Philip Horton, the head of the OSS intelligence unit in Paris, that the British service was hesitant to continue official exchanges in peacetime until the future of OSS and the stability of its personnel were assured. As late as January 1946, SIS officers were telling SSU representatives that despite a desire in London for close collaboration, formal agreements and exchanges were impossible until the uncertainties surrounding the future organization of American intelligence were resolved.⁶⁶

Formal relations may have been impossible, but informal exchanges were not. After Japan's surrender SIS continued to pass intelligence "under the table" to OSS and its successor, SSU. With the creation of the Central Intelligence Group and the emergence of the Strategic Services Unit as a functioning espionage service the British were sufficiently assured of the long-term stability of American intelligence to reinvigorate the wartime partnership. By the spring of 1946 cooperation between SIS and SSU was so close that the American intelligence station in London did almost nothing but service the liaison arrangement. SIS reporting significantly augmented American collection efforts, particularly since the British service provided coverage of areas, such as the Middle East, where Washington had few, if any, intelligence assets. The partnership's focus, however, was Europe. In February 1946, for example, SSU received from SIS 117 intelligence reports. The reports covered fifteen countries, all in Europe. Although the intelligence exchange was supposedly reciprocal, initially the flow of information was largely from London to Washington. Uncertainty about the future of American intelligence, demobilization, and the transition from OSS to SSU disrupted American collection efforts, and the Americans just didn't have much to share. The SSU station in London, which collected no information on its own but received the intelligence product from sister stations in various European countries, acknowledged that at the beginning of 1946 the American output to the British remained "relatively small."⁶⁷

As the Strategic Services Unit began to find its feet, the exchanges became more equal. In February 1946, SSU gave SIS 99 reports in return for the 117 it received. The following month the Americans received from the British 150 items (including information on economic conditions in the Soviet zone of Germany, the attitude of the Greek communist party toward proposed elections in their country, and the strength of pro-fascist movements in Italy), but offered 159 in return. The American contribution included reports on Russian wool and cotton deliveries to Yugoslavia (judged "of some value" by the Ministry of Economic Warfare in London), socialist overtures to Don Juan de Bourbón, the pretender to the Spanish throne (considered "of some

interest" by the Foreign Office), and the strength of the Hungarian army (graded "C" by the War Office).⁶⁸

The increased activity of the London station reflected a more general organizational vitality across SSU departments and units in the spring of 1946. Although resources, especially personnel, remained scarce, the service had survived the immediate dislocations of demobilization, regrouped around leaner headquarters and field units, and regained institutional confidence. In the field this renewed vitality was reflected in increasing levels of operational activity. In Washington it was evident in a more systematic effort to establish intelligence priorities and direct scarce resources against those targets.

This new energy was probably encouraged by developments in Washington in the spring of 1946 that stabilized the position of the service and affirmed its long-term prospects. On 14 March 1946, after weeks of testimony from SSU officers and visits to that organization's headquarters, the Fortier Committee issued a report supporting the continuation of the Strategic Services Unit. Asserting that "there is immediate need for the continued maintenance of foreign intelligence coverage throughout the world and for the implementation of clandestine and semi-clandestine operations in areas hitherto covered by SSU" and noting that "no other intelligence authority has been established with appropriate directions to perform . . . functions of the character of those performed by SSU," the Fortier Committee recommended that the War Department turn the service over to the Central Intelligence Group, where it should function "in selected and carefully defined fields of vital interest to the United States in which clandestine operations and planning for clandestine operations are deemed necessary."⁶⁹

Admiral Souers accepted the recommendation of the Fortier Board, and over the next several months the Central Intelligence Group quietly absorbed most of the staff and resources of SSU. For security purposes intelligence managers tried to make it seem as if SSU had simply faded away without a successor. In June 1946 Colonel William Quinn, the former executive officer of SSU who had succeeded General Magruder as director of the unit in April 1946, informed the field stations that the service's SI and X-2 offices were abolished and that further use of those designations was prohibited. In their place a Foreign Security Reports Office was established that included an administrative office, planning and steering staff, training and dissemination offices, and branches for various regions of the world. Within each geographic branch a Foreign Reports Group would be responsible for positive intelligence and a Security Control Group would deal with counterintelligence.⁷⁰ The new arrangement lasted until 19 October 1946, when the Strategic Services Unit itself was liquidated and all personnel were dismissed. The

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reorganization was largely cosmetic. In fact, all SSU headquarters functions were simply assumed by a new element of CIG, the Office of Special Operations (OSO), which was charged with conducting “all organized Federal espionage and counterespionage operations outside the United States and its possessions for the collection of foreign intelligence information required for the national security.”⁷¹ In the field SSU stations morphed into so-called External Survey Detachments. Most SSU personnel were promptly re-employed in their former capacities by OSO.⁷² When the National Security Act of 1947 dissolved the National Intelligence Authority and the Central Intelligence Group and established in their place the Central Intelligence Agency, most of the administrative and operational elements of OSO were absorbed by the new agency.

In the first six months of 1946 most of the immediate issues that had roiled the waters of American intelligence at the end of the war had been clarified if not completely resolved. Questions of structure and control had been addressed with the creation of the National Intelligence Authority and the Central Intelligence Group. The continuation of a peacetime clandestine espionage capability, at least on a modest scale, was assured by the incorporation of the Strategic Services Unit into the CIG. The negative effects of demobilization continued to be felt, but the intelligence services had accommodated themselves to the situation and could believe that the worst of the personnel losses were behind them. Perhaps surprisingly, targeting—the identification of those subjects and those countries that should receive attention from the services—would prove to be the most problematic of the issues that confronted intelligence managers in the first year of peace. It took some time for America’s spies to decide on whom they should spy, but inevitably, and perhaps necessarily, their gaze turned toward the Soviet Union.

