William F. Friedman’s Not Pleasant Remembrances of Yardley and the Navy

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Abstract A recently declassified history of America’s pre WWII agencies written by William F. Freedman during WWII reflects his views of Herbert O. Yardley and the American Navy’s crypto-efforts and shows how the end of the Black Chamber was due to more than Secretary Stimson’s gentlemanly abhorrence of spying.

Keywords Friedman, Yardley, SIS, OP20G, Black Chamber, Stimson.

I. Introduction

In 1976, the National Security Agency’s Cryptologic Spectrum published a classified short seven page article by William F. Friedman on America’s codebreaking agencies during the period from the nation’s entry into World War I to the beginnings of the Roosevelt administration. It is not certain when the article was written, but references to difficulties in breaking Japanese military ciphers suggest that it was composed during the early years of World War II when Mr. Friedman was in his fifties and was still very active in codebreaking and in the formation of intelligence policies. The article, obtained through an FOIA request, concludes with two pages of warnings about America’s codebreaking and code-making future if the disorderly bureaucratic past of the army’s, State Department’s, and navy OP20G’s crypto efforts continued. Those pages read as if Friedman’s then most-secret history was intended as a direct plea to high level policy makers. Although important as a warning that was not heeded as the United States demobilized in 1945, we have not included those pages on order to save space.

The pages that are included are more than a recapitulation of the often-told stories of Herbert O. Yardley’s Black Chamber, gambling, and Chinese misadventures, and the frictions between the army and navy’s cryptologic agencies. The pages below contain some new ‘facts’ about the early agencies and their staffs. Most significantly, they give insights into Friedman’s intense dislike of
Yardley, the consequences of Yardley’s actions, and Friedman’s low evaluation of the American navy’s codebreaking abilities. The pages also give hints of Friedman’s visions for a future with his civilian crypto staff in charge of a centralized service.

2. The Document
A Brief History of U.S. Cryptologic Operations 1917–1929

Introduction

Prior to June 1917 no department of the Government conducted any cryptanalytic activities whatsoever. From June 1916 to about December 1920 a considerable amount of work along these lines was conducted purely as a patriotic enterprise and at its own expense by Mr. George Fabian, whose Riverbank Laboratories at Geneva, Illinois, organized and provided elementary training for a small group of amateur cryptanalysts to work upon such codes and ciphers as were forwarded by the War, Navy, State, and Justice Departments. The group soon became somewhat proficient and grew in numbers, at one time reaching 30 persons. The author directed the cryptanalytic operations and training at the Riverbank Laboratories from the time of the inception of this work until its close in 1920, except for a period of a year (May 1918—May 1919) when he was 1st Lieut., MID, serving at GHQ-AEF in the German code-solving section.

MI–8

In June 1917 the cryptanalytic activities of the War Department were initiated by Colonel Van Deman, G–2, with the commissioning of H. O. Yardley, a telegrapher at the State Department who had taken some interest in cryptography and who was given two civilian employees to assist him. The work grew rapidly, and by the autumn of 1917 the increased staff was organized as a section designated as MI–8, which was subdivided into six subsections:

1. Code and cipher solution
2. Code and cipher compilation
3. Training
4. Secret inks
5. Shorthand and miscellaneous
6. Communications (for MID only).

The functions and duties of these may be briefly outlined:

1. The code and cipher solution subsection was what would now be called the cryptanalytic subsection. It was the largest of the subsections of MI–8 and performed the cryptanalytic work not only for the War Department but also for all other Government departments, including Navy, State, Justice, and the two censorship–Cable and Postal, which were then separate organizations.

2. Despite the fact that under Army regulations the compilation and revision of codes was a function of the Chief Signal Officer, compilation activities under the Signal Corps were apparently in a moribund state. Information having been received that the Germans possessed copies of the War Department Telegraph Code, MI–8 deemed it advisable to establish a code compilation subsection, and that subsection produced several codes such as Military Intelligence Codes No. 5 and No. 9, small pocket codes for secret agents, and the like.

3. In addition to training our own personnel, MI–8 trained the majority of the personnel sent overseas for cryptanalytic duties with field forces, both AEF and Siberia. (It must be mentioned, however, that approximately 85 officers were trained at Riverbank Laboratories, where a six-week training course in cryptanalysis was given these officers prior to their shipment overseas.)

4. A laboratory was established for the preparation of invisible inks for use by our own agents. It also examined letters for secret writing, and an average of over 2,000 letters a week were examined for military
SECRET

and postal censorship from 1 July 1918 to 1 February 1919.

The shorthand subsection was organized to handle captured documents and texts in various shorthand systems, especially German, which had to be deciphered. This was in fact the first subsection organized in MI-8, when censorship began. In the fall of 1917 letters and documents supposed to be in cipher but which turned out to be in shorthand. In June 1918 the AEF requested 15 experts in shorthand who could take down verbatim examination of German prisoners. The required number was found and shipped. This subsection also provided trained linguists for MI-8 and the AEF.

6. The communications subsection was established in MI-8 for handling messages to and from military attachés and intelligence officers serving abroad. In a period of nine months it was seated and received about 25,000 messages, practically all in code.

At the height of its development, which was reached in November 1918, MI-8 was, for those days, a large unit, consisting of 18 officers, 24 civilian cryptographers and cryptanalysts, and 109 typists and stenographers. The time had come for the establishment of a definite policy for the future. The heads of Military Intelligence at that time fully recognized the high importance and value of the services rendered by the MI-8 cryptanalytic bureau, because they had been in positions where the products of the daily activities of the bureau came directly to their notice, and they could not fail to note the influence and bearing which the work had, not only upon the military and naval, but also upon the diplomatic, political, and economic phases of the conduct of the war. They therefore had practical experience in the matter and could bring the weight of their position of influence and their actual experience to bear upon those in charge of the bureau, with the result that they were able to obtain funds sufficient to keep a fairly large organization intact for a year or two. An annual appropriation of $100,000 was recommended in a memorandum for the Chief of Staff from the A. C. of S., G-2, dated 16 May 1919, to be used as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent, light and heat</td>
<td>$3,500</td>
</tr>
<tr>
<td>Reference books</td>
<td>100</td>
</tr>
<tr>
<td>Personnel:</td>
<td></td>
</tr>
<tr>
<td>Chief (Yatesley)</td>
<td>$6,000</td>
</tr>
<tr>
<td>10 code and cipher experts</td>
<td>$3,000</td>
</tr>
<tr>
<td>15 code and cipher experts</td>
<td>$2,000</td>
</tr>
<tr>
<td>25 clerks</td>
<td>$1,200</td>
</tr>
<tr>
<td>Total</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

The item for "rent, light, and heat" is explainable when it is noted that the bureau was to be moved from Washington with a view to hiding its existence. Of the $100,000 recommended, the State Department was to provide $40,000, and $60,000 was to be provided for expenditure by the A. C. of S., G-2, on "confidential memoranda" against funds pertaining to "Contingency Military Intelligence Division"—that is, by vouchers not subject to review by the Comptroller General. The paper containing the recommendations made by the A. C. of S., G-2, to the Chief of Staff was approved and initialed by Acting Secretary of State Polk on 17 May 1919. Within three days, it was approved by the Secretary of War over the signature of General March, Chief of Staff. The necessary funds were obtained, the plan was put into effect, and the bureau was installed in a private house at 22 East 38th Street, New York City, and all personnel, together with existing records, were moved there.

The New Bureau

The foregoing funds took care of the bureau for FY-1920, but when in June 1920 it came time to set up the budget for FY-1921, the purse strings were already beginning to be pulled tighter. Many of the "old-timers" in G-2 had gone to other assignments; those remaining, and the newcomers in G-2, apparently did not have the background of the story, nor the foresight and the influence to press the matter so far as the War Department was concerned. The appropriation was at one cut in half, that is, to $50,000, of which the State Department share continued to be $40,000. It is possible that the G-2 thesis was that since the work done by the bureau was primarily, if not solely, for the interest to the State Department, all or nearly all of the funds should be provided by that department. The War Department overlooked some very important points in the situation—points which will be brought up and emphasized later in this summary. Near the close of FY-1921, when it appeared that a further contraction in funds could be anticipated, an attempt was made to obtain State Department support before Congressional appropriations committees, and the A. C. of S., G-2, succeeded in getting the Secretary of State to write a letter to the Chairman of the Senate Appropriations Committee. The A. C. of S., G-2, also presented his views before the committee in closed session, during which open reference to, and exhibits of, cryptanalytic work were made. The showing made must have been impressive, for there was not, in FY-1922, another sharp decline in funds allotted for cryptanalytic work. However, in order not to break the continuity of the
history at this point it will merely be stated that year by year the funds provided for the maintenance and operation of the bureau became more and more constricted until by the autumn of 1929 the following tabulation, based upon a letter dated 17 July 1929 from Major O. S. Albright, G-2, to the Chief Signal Officer (General Gibbs), shows how the bureau had been permitted to deteriorate:

Rent  $ 3,000  
Books, postage, travel and transportation, misc.  2,370  
Personnel:
  1 Chief (Yardley)  7,500  
  1 code & cipher expert  3,660  
  1 translator (Jap)  3,750  
  1 secretary  1,800  
  1 clerk-typist  1,600  
  1 clerk-typist  1,320  
$25,000  

Of the total appropriation of $25,000, the State Department furnished $15,000, the War Department $10,000. The activities of the bureau had by this time become so reduced that it was sending in only occasional translations of a few Japanese and a few Mexican diplomatic messages. No research whatsoever was conducted in cryptanalysis; there were no training activities, no intercept, no direction-finding studies, no secret ink work. The personnel consisted of six persons all told, and over 37 per cent of the total payroll went to one man who had little interest other than to continue as long as possible to maintain himself in the sinecure into which he had been permitted to establish himself. He not only had his well-paying Government position but was engaged commercially in other activities.

In the summer of 1929 Major O. S. Albright, Signal Corps, was assigned to G-2 to serve on the staff of the A. C. of S., G-2, to supervise and coordinate the cryptographic and cryptanalytic activities of the War Department that remained. After a careful study of the situation and an appraisal of how the existing cryptanalytic bureau was and was not serving the functions for which it had been or should be intended, Major Albright came to the conclusion that the entire picture was wrong. He felt that the product ("bulletin") which the bureau was turning out only intermittently was indeed of primary interest for its own sake to the State Department, and while the War Department had only a secondary interest in the "bulletin" for the information it gave, the primary interest of the War Department in cryptanalytic studies in peace time was that it was intended to engage in research and to provide a means for training specialized personnel for immediate wartime effectiveness. Major Albright found that not only was there very little, if any, training being conducted but also that all persons in the bureau, except for one clerk receiving the least pay, were "getting along in years"—their potential usefulness for possible wartime service practically nil. Moreover, the bureau was now hidden away in a public office building in New York (under cover of the "Code Compilation Company" for alleged purposes of security) and far away from direct supervision of anybody connected with the War Department or of G-2, so that nobody knew what was going on, how the office was administered, etc. Yardley devoted most of his time to two or three private enterprises (commercial code compilation, real estate brokerage, consultant in code matters to commercial firms), and he was having a "field day" at Government expense. There were, in addition, several other weighty factors which motivated Major Albright in preparing a G-2 study recommending that the bureau be taken out of G-2 and its functions transferred to the Signal Corps. Chief among these was the desirability, if not necessity, of placing all cryptographic and cryptanalytic work of the War Department under one agency, rather than distributing it among three (The Adjutant General, for printing, storage, issue, and accounting of codes; the Chief Signal Officer, for compiling codes and ciphers; Military Intelligence, for solution of codes and ciphers). A memorandum on the same subject was prepared by Lieut. Col. W. K. Wilson of the War Plants and Training Section of G-2. The reasons given in the G-2 study and in Colonel Wilson's memorandum were apparently deemed valid by the Chief of Staff, for Major Albright's recommendations were approved in April 1929 and steps were soon initiated by G-2 and the Chief Signal Officer to put them into effect. The recommendations carried with them merely the wording of changes to be made in AR 105-5, specifying the duties of the Chief Signal Officer, those duties being enlarged to include the printing, storage, distribution, and accounting of codes and "in time of war the interception of enemy radio and wire traffic, the goniometric location of enemy radio stations, the solution of intercepted enemy code and cipher messages, and laboratory arrangements for the employment and detection of secret inks.''

The Bureau Abruptly Closed

However, before anything could be done to transfer the activity, a new and very disturbing factor entered into the picture. In March 1929 a new administration took
office, in which Mr. Stimson became Secretary of State. For a few weeks no "bulletins" from the cryptanalytic bureau in New York were given him, the intention being to "go slow" until he had become sufficiently well oriented in the duties of his office to warrant bringing to his attention the highly secret (and in the then current view, highly "unethical") activities engaged in by the War and State Departments with funds provided in large part by the latter Department. Early in May 1929, however, the time was deemed ripe for this measure, and, (according to Yardley) it was with some trepidation that a few translations of Japanese code messages were placed on Mr. Stimson's desk. There seems to be some reason to believe that his reaction was violent and his action drastic. Upon learning how the material was obtained, he characterized the activity as being highly unethical and declared that it would cease immediately, so far as the State Department was concerned. To put teeth into his decision he gave instructions that the funds allocated by the State Department be withdrawn at once. It was only after considerable pressure by the A. C. of S., G-2, that he was dissuaded from this course, which might have had serious consequences by suddenly throwing out of employment the six people concerned, at a time of severe economic depression, for these workers had only special training in a field wholly useless to commercial, industrial, shipping or banking firms, or to other government departments, or to educational institutions.

An arrangement was therefore made to close the office immediately so far as active work was concerned but to keep the personnel on the payroll for the time necessary to wind up affairs and get the files into shape to turn over to the Signal Corps. This took a couple of months, and at the end of June 1929 the employees were given three months' pay in advance, to tide them over the period in which they might be jobless. Since they had been paid out of "confidential funds," they had no civil service status and no retirement benefits; moreover, they were ineligible for transfer to other Government positions. Of course, the danger was that their dissatisfaction with what must have appeared to them as high-handed, arbitrary action on the part of a new official, and that their helplessness in the serious personal situation created for them in the midst of an economic depression by this drastic action, might lead them to indiscretions which might prove most embarrassing to the Government and have serious consequences upon national defense. It turned out that whatever their private feelings, all the discharged personnel, except the chief beneficiary of the old regime, remained loyal and did the best they could to find jobs.

In October 1929 I was sent by the Chief Signal Officer to New York to take over the boxed-up records and files of the defunct bureau and to oversee their transportation to Washington. The cryptanalytic activities, research, and training now being under the Chief Signal Officer, immediate steps were taken completely to reorganize the bureau and its work. The funds available were, of course, very slim—only what remained of the War Department's contribution of $10,000 for FY-1930 was available, because the remainder of the State Department's share of $15,000 had already been withdrawn. An offer of employment was made to Mrs. Wilson, the Japanese expert with Yardley, but she was unable to accept, since it involved moving to Washington and she had a husband and child in New York. Another employee, Mr. Victor Weisskopf, had a business in New York and refused to move to Washington. The clerical employees were deemed unsuitable for our purposes and, moreover, having no civil service status, they could not be taken on by transfer. An offer of temporary employment was made to Yardley but he refused the tender. Instead, he proceeded secretly to prepare a book which first appeared in the form of articles in the Saturday Evening Post, and later appeared in much expanded form under the title, The American Black Chamber. The book and articles were highly sensational and made damaging disclosures concerning the most secret activities ever conducted by the Government. Before the appearance of the articles and book, however, he had taken certain steps to protect himself from possible prosecution for his disclosures, among which was to resign his commission as Major in the Military Intelligence Reserve. Of course, had the authorities understood the real purpose of his resignation they might have prevented it so as to retain some hold on him. But being in doubt or in ignorance of his real motives and deeming it just as an act of pique, they accepted the resignation. The unfortunate consequences attendant upon the publication of the book need no elaboration here. Suffice it to say that our amicable relations with the British, who resented the disclosure of certain information obtained from them by Yardley as a commissioned officer, were disturbed; much more serious, our precarious relations with Japan were brought to a boiling point when about 30,000 copies of the Japanese translation of The American Black Chamber were sold in Tokyo in a period of less than a month (perhaps the book was subsidized by the Japanese Government itself). The bad odor into which all cryptanalysts and cryptanalytic activities fell, as a result of the difficulties which the publicity given the matter by

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1 A number of years later (1941) Yardley told me that he had been misinformed as to Mr. Stimson's attitude and that it was really the President (Mr. Hoover) who "killed" the bureau, not Mr. Stimson. There may be some grounds for this.
Yardley’s disclosures occasioned high government officials, had a bad effect upon the attempted reorganization of the cryptanalytic bureau by the Chief Signal Officer. Funds were ‘hard to get,’ and State Department support was lacking, if not in the other direction altogether. The most serious consequences of Yardley’s disclosures, however, came ten years later, and their effects can hardly be estimated. I refer here to the jolt which his book gave the Japanese cryptographers, leading them out of their blissful ignorance and causing them to develop really complex methods which are now giving us so many difficulties. The same is true probably as regards the German and Italian cryptographers—their education has been entirely at Uncle Sam’s expense, and the final consequences of Yardley’s work can not yet be foreseen. They may well turn out to be disastrous.

SIS Formed

Without delay, as indicated above, the Chief Signal Officer proceeded, as energetically as possible under the circumstances, to carry out the mission assigned to him. The reorganized code- and cipher-solving section was placed under the War Plans and Training Division, since the code compilation section was already there. A rather detailed directive, which was prepared by G-2 and approved by the Secretary of War, became the guiding plan of the reorganized service, which we now named the Signal Intelligence Service. Its personnel, consisting of myself and one or two clerks, soon was augmented by a half dozen more employees. Training literature and courses in cryptanalysis and cryptography were prepared and put into good usage at once. A great deal was done in expanding our cryptographic work also, by preparing reserve editions of existing codes, compiling and devising new codes and ciphers, developing cipher apparatus, and so on. Cryptanalytic work was put on a firm basis of research and training, with emphasis on the latter, for there existed no intercept service and the raw material could not be obtained. (Yardley had been able to get a small amount of material from the cable companies but this source had practically ‘dried up’ by 1929 due to fear on the part of the companies.) Hence, an intercept service was organized and grew very slowly. All phases of signal intelligence were unified under one service and taken under study and action. Moreover, important cooperation with the Navy in the same type of work was also initiated. How the activity has expanded since then requires no comment at this time. However, a few words about relations with the Navy are pertinent.

Cryptanalytic activities in our Navy Department were practically non-existent until after the close of World War I, during which, as was noted above, whatever problems they had in cryptanalysis were referred to MI-8. But in 1921 the Navy, recognizing the important role which cryptanalysis was bound to play in the future, began building up a large unit in the Navy Department, with echelons afloat. Whereas the Army placed emphasis upon civilian training, the Navy placed emphasis upon officer training; and for each dollar the Army was able to obtain for cryptanalytic and cryptographic work the Navy was able to obtain three to five dollars, until by 1939, as far as concerned numbers of officers and civilian personnel engaged in these activities, amount of equipment on hand, and funds available for research, the Navy had considerably outstripped the Army. However, it may be said, with some justifiable pride perhaps, that while they were ahead of us in quantity, we were ahead in quality, for all the important developments in both the cryptographic and the cryptanalytic fields must be credited to Army personnel. At first, cooperation between the two services was intermittent and at times very indifferent—the usual mutual suspicions and jealousies pervaded our relationships. But, happily, for the past four or five years cooperation has been much more wholehearted, with the result that it may now be said without reserve that, as regards their cryptographic and cryptanalytic activities, technical cooperation between the Army and Navy in these fields is so close as to be the same as though they were under one head. This, of course, is as it should be and must be in order to gain the desired result from such activities.

It would be of utmost value to the winning of this war if the Government were now in a position to read the codes and ciphers of all the foreign powers whose actions and probable intentions are of interest and importance in our prosecution of the war. It could have been in this fortunate position had it given to cryptanalytic studies the attention which they deserve during peacetime and had provided funds for their continuity on a scale sufficient for the purpose for which they are intended. The matter can be summarized very succinctly in this statement: Actual or physical warfare is intermittent but signal security warfare, especially cryptanalytic warfare, is continuous. It is vital that this be understood by those who exercise the control over such studies.
About the Author
Colin Burke has been interested in code breaking’s history for two decades. He lives in Columbia, Maryland. He may be contacted at burke@umbc.edu.

References