A Counterintelligence Debacle

British Penetration of America’s First Diplomatic Mission (U)

The capitals of Europe [in the 18th century] were full of international spies. The technique of deciphering intercepted dispatches attained a high degree of perfection. Corruption was the conventional instrument of diplomatic success. The art of dissimulation and deception was a necessary part of the equipment of any minister of foreign affairs.

Samuel Flagg Bemis

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About 220 years ago as the American colonies were fighting for their independence, the Continental Congress established a three-man American Commission in Paris with the objective of formalizing a treaty of alliance against Britain. Its efforts were to be discreet, if not entirely covert, and its success or failure would determine the outcome of the war for independence.

The Commission was a counterintelligence disaster from the start. Its physical security was poor, its personnel security nonexistent, and its three commissioners had no real counterintelligence awareness. Because France was a “friendly” country providing covert assistance to the revolution, the three Americans apparently felt comfortable and secure under the “protection” of the French Government. They underestimated the ability of the British to operate against them in a third country.

The British coverage of the Commission was highly professional, comprehensive, and aggressive. It included the theft of documents, penetration agents in the Commission, access agents, and manipulations of the principle targets based on personality assessment information. The British had a complete picture of American-French activities supporting the war in America and of American intentions regarding an alliance with France. The British used this intelligence effectively against the American cause. From their coverage of shipping activities, the British were able to seize badly needed supplies destined for George Washington’s army. The British Minister in Paris also used timely and accurate intelligence on American supply efforts and paramilitary activities in the English Channel to force the French Government to become less blatant in its support for these activities.

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Establishing Ties to the French Government

The geopolitical rivalry between Britain and France provided the American colonies with an excellent opportunity to play on French desires to weaken the British worldwide. The French, still smarting from their defeat in the Seven Year’s War, were eager to assist the colonies—if their chances for success were good.
In December 1775, Julien Achard de Bonvouloir, an agent of the French Foreign Ministry, approached Benjamin Franklin in Philadelphia to inquire about the seriousness of the colonies' dispute with Britain. During three secret meetings with members of the Continental Congress's Committee of Correspondence, de Bonvouloir was told that the colonies would soon declare independence from Britain and that the American Army would be able to defeat the British. He was asked if France would support American military efforts against the British, and he broadly hinted that France would.

Within a few months, the Committee of Correspondence sent one of its members, Silas Deane, to Paris to obtain military supplies and to probe the French Government's attitudes toward a declaration of independence and a treaty of alliance against Britain. In his instructions to Deane, Franklin provided the names of several trusted individuals in Europe worthy of contact, including Dr. Edward Bancroft of London.

A Valuable British Spy

The American-born Bancroft was an old friend of Franklin's, and he was a respected scientist and businessman in Britain. The two had met in London in the early 1770s, when Franklin was a colonial business agent. He had acted as a mentor to Bancroft, sponsoring him for the British Royal Society in May 1773 and involving him in a land speculation deal in the colonies. Franklin believed him to be well connected in Britain and sympathetic to the American cause. Deane had also known Bancroft, having tutored him for a brief period.

Deane wrote to Bancroft on his arrival in France, and he arranged to meet with him in Paris on 8 July 1776. Deane was impressed with Bancroft, and he discussed with him the status of negotiations with the French Government regarding an alliance. Within two days of Deane's arrival in Paris, Lord Stormont, the British Minister in Paris and the local head of British intelligence, advised London that "Nathan Ramsey," the British codename for Deane, was in Paris. Stormont was instructed to keep Deane under surveillance. Bancroft and Deane continued their discussions until 26 July, when Bancroft departed for London. They then maintained an active correspondence.

Shortly after Bancroft's return to London, American-born businessman Paul Wentworth called on him to discuss his visit with Deane. Wentworth had been a businessman in London for many years and had befriended Bancroft in the late 1760s. In 1769, he hired Bancroft to work on his Surinam plantation for a few years. In 1772, as political problems grew in the American colonies, Wentworth was recruited by British intelligence to report on colonial activities and on other Americans in London.

It is not clear whether Bancroft was under British control before his trip to Paris to meet Deane. Some historians speculate he had been recruited as early as 1772, along with Wentworth; his specific efforts against the American Commission in Paris can be traced to August 1776. Whether a previous relationship had existed, or surveillance on Deane had identified Bancroft as a potential asset, Wentworth's visit resulted in Bancroft providing an account of Deane's mission to France. This report, dated 14 August, provided detailed intelligence information, as well as operational information which could be used to monitor American-French activities through other intelligence resources. It was well received by the British, and two days later Stormont was advised of the full extent of Deane's mission in France.

In October, Bancroft returned to Paris to visit Deane. This trip resulted in a report to Wentworth about additional secret French military aid and the status of discussions on a Treaty of Alliance. Bancroft now enjoyed Deane's complete confidence.

At about the same time, Wentworth formalized his arrangements with Bancroft for reporting on American activities in France. The terms of agreement are noted in a December 1776 letter from Wentworth to William Eden, the undersecretary of state in the Northern Department of the British Foreign Ministry, and the official responsible for coordinating intelligence collection in the Foreign Ministry against the American Commission in Paris:

Dr. Edwards [Bancroft's cover-name] engages to correspond with Mr. Wentworth and to communicate to him, whatever may come to his knowledge on the following subjects. The progress of the Treaty with France, and of the assistance expected, or commerce carried on in any of the ports of that kingdom. The same with Spain, and of every other court in Europe. The agents in the foreign islands in America, and the...
means of carrying on the com-
merce with the northern colonies.
The means of obtaining credit—
effects and money; and the chan-
nels and agents used to supply
them; the secret moves about the
courts of France and Spain, and
the Congress agents, and tracing
the lives from one to the other.
Franklin and Deane's correspon-
dence with Congress, and their
agents; and the secret, as well as
the ostensible letters from the
Congress to them. Copies of any
transactions, committed to pa-
pers; and an exact account of all
intercourse and the subject matter
treated of; between the courts of
Versailles and Madrid, and the
agents from Congress. Subjects to
be communicated to Lord Storm-
ont. Names of the two Carolina
ships, masters both English and
French, descriptions of the ships
and cargoes; the time of sailing,
and the port bound to. The same
circumstances representing all
equipment in any port in Europe
together with the names of the
agents employed. The intelligence
that may arrive from America,
the captures made by their priva-
tees, and the instruction they re-
ceived from the deputies. How
the captures are disposed of. [2]

As compensation, Bancroft would
receive a salary of 500 pounds a
year, a recruitment bonus of 400 pounds,
and, later, a pension of 200 pounds a
year. By 1780, his annual salary had
increased to 1,000 pounds. [3]

A Sophisticated Adversary

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organization issued requirements and
analyzed reports, these responsibili-
ties were handled by King George III,
through his Prime Minister Lord
North. The two major elements of
intelligence collection on American
activities in France and the rest of
Europe were Eden's network operat-
ing out of the Foreign Office and
Admiralty intelligence reporting to
the Secretary of the Royal Navy.
Eden concentrated on political intelli-
gence and the Navy on shipping
intelligence. In the case of American
activities in France and throughout
Europe, these reporting areas often
overlapped. Eden specifically targeted
American-born British subjects in
England for recruitment.

In Paris, Lord Stormont ran several
reporting sources on American activi-
ties at French ports. These sources
included John Barton and Company,
a British firm at Bordeaux; David
Allen, A. Keith, and John Williams, a
distant relative of Franklin's at
Nantes; and John Hunter at Rennes,
who also covered activities at Brest,
St. Malo, and L'Orient. These assets'
reporting was passed through the Brit-
ish Foreign Office intelligence
network. Stormont also controlled
agents targeted against the French
Government and the American Com-
mission, with the able assistance of
Horace Saint Paul, another senior
British official at the Mission, and
Thomas Jean, a personal assistant to
the minister, who did much of the
"on-the-street" work. Stormont's
agents included one in the Archives
Section of the French Foreign Min-
istry, who was able to provide official
minutes of the first meeting between
Franklin and French Foreign Minis-
ter Count de Vergennes on 28
December 1776. [4]

The shipping intelligence obtained
by the British was particularly effec-
tive from May 1777 through April
1778. During that period, the Brit-
ish intercepted every supply ship
bound for America carrying corre-
spondence from the Paris
Commission to the Continental Con-
gress. In effect, the Congress was
rendered deaf in terms of the activi-
ties being conducted on behalf of the
revolution in Europe.

Another element of the British intelli-
ge nt effort was the interception and
reading of mail by the British Post
Office. Watch lists were established
of suspected addressees and return
addresses, and letters were opened
and the contents copied for passage
to British intelligence. One of its
most productive operations involved
reading the mail from William Carmi-
ichael, a secretary at the
Commission, to his mistress in
England. The post office also had an
extensive list of accommodation
addresses, which Franklin and Deane
used for their English contacts, and
read these correspondences routinely.

The American Commission in Paris

Pleased with Deane's initial successes
in obtaining French support for the
American war effort, on 26 Septem-
ber 1776 the Continental Congress
appointed an official Commission to
France. It was composed of Franklin,
British Penetration

Deane, and Arthur Lee, an American-born lawyer living in London, who was also a correspondent for the Committee of Secret Correspondence. The Commission officially opened in late December 1776, with Franklin as the de facto head of the mission. It was located in the Hotel de Valentinoin, in the Paris suburb of Passy.

Unfortunately, there were serious personality clashes in the Commission. The split within the Commission was clear from the start—Franklin and Deane against Lee. Personal and business rivalries existed, and the sometimes brittle emotional personalities of the individuals made for an unpleasant environment.

This situation provided British intelligence with opportunities to manipulate the three commissioners and the working environment within the Commission. Had mutual trust and respect existed, the Commission might have been more aware of the behavior of its employees and looked more objectively at why the British were so well informed of its plans and activities. According to an American historian:

> From 1776 to 1781, it is not too much to say that the British Foreign Office was far better informed of American activities than was Congress itself. Franklin's embassy at Passy, it now appears, was almost a branch office of the British Secret Service.

Franklin's personal and professional dislike and distrust of Lee stood in the way of his giving objective consideration to Lee's suspicions regarding Bancroft's activities, about which he started warning Franklin in early 1777.

The French were quick to notice the lack of unity among the American commissioners, and Bancroft made sure that British intelligence was aware of the personality conflicts.

British intelligence collected personality assessment data on all the commissioners and had excellent profiles on Franklin and Lee from their time in England. The British would have used this information to decide the best type of access agents to send against each target, and their knowledge of Franklin's and Deane's conflict with Lee should have enabled them to shape further their elicitation and manipulation activities.

A Wide Net

By December, the Americans were running a variety of clandestine activities against the British from France. These included:

- Covert purchases and shipments of military supplies, weapons, and clothing for the American Army.
- Covert purchase of European-built ships for use in carrying supplies, transferal to the American Navy, and privateer activities against British vessels.
- Management of secret military and financial aid from the French Government.
- Involvement in a sabotage operation resulting in the burning of a portion of the Portsmouth Royal Navy Dockyard and a vessel at Bristol port by James Aitken, alias John the Painter.
- Directing “nonattributable” privateering activities out of French and Spanish ports against British naval vessels and merchantmen.
- Political action operations throughout Europe and England against British policy in the colonies.
- Financial influence operations in European banking centers to enhance the credit standing of America.
- Secret negotiations with the French Government for a military alliance against Britain.

With the Commission and its three distinct personalities representing such a rich and concentrated target, British intelligence moved quickly and effectively to cover its activities.

Bancroft, at Wentworth's direction, traveled to Paris in January 1777 and further ingratiated himself with Deane and Franklin. On returning to Britain, he expressed confidence that he could obtain a position within the Commission. This suited
British intelligence, and a cover story was created to justify Bancroft’s move to Paris. This cover story related to the 15 March publication in the London Chronicle of John the Painter’s confession. The confession included the fact that Deane had given John a letter for Bancroft, and that John had told Bancroft of his activities. In reality, Bancroft published a response to these charges in the London press, and no threat to him existed. Deane and Franklin, however, readily accepted Bancroft’s statement that he no longer felt safe in England. Surprisingly, the French, who had agents keeping an eye on the Americans, also believed the cover story. 

Bancroft departed London on 26 March 1777 and joined the Commission as a private secretary, with access to all its papers.

Access Agents

While Bancroft was reporting from inside the Commission, British intelligence was busy recruiting American access agents to send against the commissioners. The recruiting officer was Rev. John Vardill, an American Anglican clergyman and a former assistant rector of Trinity Church in New York City. He worked for British intelligence from 1775 to 1781, reporting on American sympathizers and recruiting Americans. Two Americans he recruited were targeted against the Commission: a businessman named Jacobus Van Zandt (who reported under the pseudonym George Lupton) and Capt. Joseph Hynson, a Maryland sea captain.

Van Zandt, the son of a wealthy New York merchant, was living well above his means in Paris, and he had numerous bad debts. Vardill learned of Van Zandt’s situation and, during a visit to London, Vardill recruited him by providing funds to pay off Van Zandt’s debts. He then directed Van Zandt to befriend Deane, who was always on the alert for a profitable business deal.

Van Zandt used his family’s reputation to develop a social relationship with Deane, and he was able to elicit some useful information on military shipping plans. Deane often invited him into his living quarters, and Van Zandt stole various documents which Deane kept there. Overall, Van Zandt’s reporting was high in quantity but not in quality. Much of what he reported from Deane was also being reported by Bancroft, and his information was a useful cross check on the latter’s reporting. At least one piece of Van Zandt’s reporting proved to be of significant operational value to the British: he was able to provide a list of the cover names and addresses used by the Commission to correspond with its contacts in Britain.

Van Zandt’s questions soon became too obvious, and the business deals Deane had hoped for were not forthcoming. Deane dropped contact with him in early 1778. Having lost his access, Van Zandt was terminated by Vardill.

Vardill had better luck with Captain Hynson, who managed to befriend Franklin and Deane for over six months. Hynson was originally spotted by his British girlfriend and her landlady in London, after he boasted of being tasked to obtain an English ship to sail to America for transfer to the American Navy. He also bragged that he would be carrying secret correspondence from the American commissioners in Paris to the Continental Congress. Vardill recruited him, using a combination of threats and financial rewards, specifically to obtain the official correspondence that he was to carry back to America. Some historians believe this was part of a British intelligence operational testing scheme to vet Bancroft’s copies of Commission correspondence. Hynson’s contributions to British intelligence included military shipping information and American plans to purchase European ships for American use. His sources of information were Deane and Franklin; American sea captains involved in moving supplies and vessels to the colonies; and William Carmichael, an assistant to both Franklin and Deane.

Hynson’s most important intelligence success was his theft of the Commission’s official correspondence to the Continental Congress from January through June 1777. This correspondence, which he had been scheduled to carry was subsequently entrusted to another American seaman, Captain Folger, who was preparing to sail earlier than Hynson. During a social drinking session in mid-October, Hynson replaced the correspondence in Folger’s dispatch pouch with blank papers, and the correspondence was not discovered as missing until Folger reached the American shore. Hynson passed the correspondence to Lord Stormont’s assistant.

Hynson was rewarded with a one-time payment of 200 pounds and a lifetime pension of 200 pounds per year. British Foreign Ministry intelligence chief Eden personally delivered the correspondence to King George III on 20 October 1777. Later that month, possibly while intoxicated, Hynson wrote to Deane from London, noting his association with the
British and offering to become a double agent for the right price. Deane was not interested, and Hynson was no longer welcome at the Commission.

William Carmichael, a source of Hynson’s and a probable recruitment target of the British, was an American businessman from Maryland residing in Europe who volunteered to help the Commission in a clerical position. He served as an assistant to both Deane and Franklin from late 1776 through 1777. His duties, in addition to preparing papers for the Commission, involved handling commercial and military shipping procedures and activities related to American privateers operating from French ports. He also had a mistress in London who lived in the same house as Hynson’s mistress.

There is no firm evidence that Carmichael was under British control, but he told Hynson of activities at the commission and details of American shipping and privateering plans, knowing that Hynson was passing this information to the British. Thus, he was close to the edge of actively assisting the British, if he did not actually cooperate with them.9

Carmichael also wrote detailed letters of the activities at the Commission to his girl friend in London. British intelligence intercepted these letters, and one might suspect that his mistress may have been encouraged to ask the right questions to keep the information flowing. His gossipy letters produced valuable assessment and operational information for British intelligence. Carmichael left Paris in 1777, but later he appeared in Madrid and became an assistant there to John Jay. He continued to write interesting letters to his mistress on his activities in Madrid.

Sloppy Security

There was no real physical security at the Commission itself. The public had access to the mansion, documents and papers were spread out all over the office, and private discussions were held in public areas. Commissioner Arthur Lee was appalled by the lack of any physical protection. He wrote:

Count Vergennes had complained that everything we did was known to the English ambassador, who was always plagueing him with the details. No one will be surprised at this who knows that we have no time or place appropriate to our consultation, but that servants, strangers, and everyone was at liberty to enter and did constantly enter the room while we were talking about public business and that the papers relating to it lay open in rooms of common and continual resort.10

If anyone at the Commission had a counterintelligence awareness, it was Lee. He carried it to extremes, however, seeing spies everywhere. Early in his career as a commissioner, he was the victim of a document-theft operation. This experience certainly contributed to his suspicious nature.

The Purloined Journal

In June 1777, Lee went to the court of King Frederick the Great in Berlin to seek assistance for the revolution. Learning of his arrival, the British Minister in Berlin, Hugh Elliot, used a German servant from his mission to bribe several employees of the hotel where Lee was staying. Elliot was a young and rather inexperienced diplomat, but he had a flair for intelligence work.

Elliot had the hotel employees observe Lee’s habits and daily schedule for several days. They reported that he spent many hours each day writing in his journal. The Minister quickly decided that he wanted the information in that journal. He tasked his German servant to obtain a key to Lee’s room from the hotel employees and to duplicate it. On 26 June, Elliot was advised that Lee was to travel that day to the country for a social occasion. His servant stole Lee’s journal from his room and took it to Elliot’s residence, where several people were waiting to copy it.

The copying went slower than anticipated, and much remained to be copied about the time Lee was to return to the hotel. Elliot then decided to stop Lee from returning to his room until the copying had been completed. At this point, his sense of operational security became somewhat flawed. He went to the hotel and waited in the lobby until Lee arrived. He then approached Lee casually and engaged him in conversation. He said that, when he had heard Lee speaking English, he was so happy to hear a familiar language that he had to talk to him.

Two hours later, Lee finally broke away and got to his room. He immediately noticed the loss of his journal
and reported the burglary to the local police. Meanwhile, Elliot hurried back to his residence and retrieved the journal. He then donned a disguise, returned to the hotel, and gave the journal to one of the employees in his pay. She returned it to Lee, claiming that it had been left at the door to his room.11

The ensuing investigation identified Elliot as having been involved, and King Frederick publicly blamed the British Minister for the theft. In the diplomatic démarche which followed, King George III resorted to “plausible denial,” and publicly rebuked his Minister. Privately, he rewarded Elliot with 1,000 pounds for obtaining such valuable intelligence.

**Double Agents**

Lee’s poor judgment in protecting his secret journal information also extended into his efforts to collect intelligence on the British. In an attempt to collect information in London, he selected two brothers, Thomas and George Diggs, as his agents. Both were rogues, whose reporting was sparse and inaccurate. They were also in the pay of the British, passing to him useless information or information that the British wanted him to know. Lee exercised equally poor judgment in his appointments within the Commission.

In early 1777, John Thornton, a British Army major on inactive duty, met Franklin and expressed concerns about the treatment of American prisoners in Britain. Franklin had long been interested in this subject, and he obtained Thornton’s agreement to return to Britain to investigate the prisoners’ conditions and to pass some funds from Franklin to them.

Thornton returned to Paris in January 1778, having apparently accomplished his mission. He then expressed interest in a position at the Commission, confiding that he might be able to obtain intelligence on British political thinking from his circle of contacts in London. Lee hired him as a private secretary. Among other duties, Lee sent Thornton to the French Channel ports to gather information on the British Channel fleet. Thornton reported back that the fleet was mobilizing into a large force, when it was actually quite weak.

About two months after Lee hired Thornton, Franklin received word from contacts in London that the major was a British spy. Under pressure from Franklin, Lee dismissed Thornton and hired another American, Rev. Hezekiah Ford, as his private secretary. Ford also was a British spy. He had been a British loyalist in Virginia and fled to London to avoid arrest. He was well known to John Jay and others in the Continental Congress as having pro-British sympathies.

**Fixing the Blame**

While all three commissioners share in the blame, Franklin, as the mission head, has to bear primary responsibility for the lack of security and counterintelligence in Paris. By the time he arrived in Paris in late 1776, he was elderly and had little interest in the administrative aspects of the Commission. Franklin was widely recognized as a statesman, scientist, and intellectual. While highly respected, he was also vain, obstinate, and jealous of his prerogatives and reputation. He had decided that his role would be that of an “agent of influence” among the politically powerful in France. He found it convenient to allow Deane to handle the Commission’s housekeeping affairs while he moved among the wealthy and powerful social elite. Also, the Commission was “under protection” of the French Government, and Franklin may have underestimated British capabilities to operate in a friendly third country. In any event, he did nothing to create a security consciousness at the Commission.

In addition, Franklin’s personal association with Deane and Bancroft and his dislike of Lee caused him to brush aside Lee’s accusations against both men. Intellectually, however, he realized that spies posed a serious threat. In January 1777, in response to a letter from a lady friend, Juliana Ritchie, warning him of spies, he wrote back to her:

> ... it is impossible to discover in every case the falsity of pretended friends, who would know our affairs, and more so to prevent being watch’d by spies, when interested people may think proper to place them for that purpose; I have long
observed one rule which prevents any inconvenience from such practices. It is simply this, to be concerned in no affairs that I should blush to have made public, and to do nothing but what spies may see and welcome. When a man's actions are just and honourable, the more they are known, the more his reputation is increased and established. If I was sure, therefore that my valet de Place was a spy, as probably he is, I think I should not discharge him for that, if in other respects I lik'd him.  

Because Franklin was involved in numerous activities which he would not want to have been made public, such comments seem somewhat ingenious. His attitude, however, is all too familiar among some policymakers and statesmen. His ego may have overwhelmed his common sense. Like many government officials before and after him, he may have believed that he knew exactly what he was doing and that his judgment required no additional verification. If this is correct, then he had forgotten a basic rule which he stated years earlier as "Poor Richard":

If you would keep your secret from an enemy, tell it not to a friend.

The second, most important commissioner, Silas Deane, was an aggressive Yankee merchant, with a well-honed taste for personal profit. He readily accepted the association of anyone proffering a business deal. He was also willing to share information about the plans of the Continental Congress or the French Government that might assist him in his business endeavors. Seeing, and approving, his own motivations in others, he readily overlooked Bancroft's suspicious travel as business-profit oriented. These traits, well known to British intelligence, allowed Van Zandt, Hynson, and Carmichael to use him as a source of secret information. He had more ambition than principle, and he was driven by greed.

The third commissioner, Arthur Lee, had difficulty getting along with people. He had "... an egotism that sometimes assumed monstrous proportions." He was not liked nor trusted by either his fellow commissioners or by Vergennes. While he did have a suspicious nature, his attitude toward counterintelligence was erratic. He suspected everyone, until he developed a personal relationship with them, and then they became loyal based upon that relationship. This particular trait was useful in enabling Thornton to gain Lee's confidence in January 1778, by confiding in him that Bancroft was in London speculating in the stock market for himself and the other commissioners.

As is usually the case with a counterintelligence disaster, there is sufficient blame to share among all the participants.

NOTES


88. Stevens, op. cit. No. 235.


95. While this incident is well known, Hendrick, (pp. 251-253) provides an excellent description of the operation.
