

## Crosby's Luck

by Ray Batvinis (1972-1997)



Kenneth Crosby

A wide grin would have crossed his face over the Cuban and U.S. governments' reestablishment of embassies in Havana and Washington. After all, he had lived in Cuba for fourteen years. It's where he raised his

children, ran a successful business and built a home where he hoped to retire to one day. Until 1960, when Fidel Castro forced him to flee the island nation.

He was a Southerner, well over six feet tall, slender as a reed with a ready handshake, a warm smile and ebullience to match; a humble man, fiercely proud of his roots, who never tired of reminding listeners that he was the luckiest guy in the world. His name was Kenneth McCorkle Crosby and for most of his life he moved effortlessly in a world of international finance and espionage.

His business was making money — and he made lots of it. For decades, he fattened existing fortunes while creating new wealth for clients around the globe. Business successes and failures, however, were never discussed — he was too discreet. But it was no accident that this suave “rainmaker” wore elegant suits and monogrammed shirts with French cuffs fastened by his ever-present “\$” cufflinks.

Crosby didn't start life on a world stage of privilege and status. He and his sister, Kathryn, were born in Greenville, TN on January 31, 1916. After graduating from the University of Mississippi he continued on at Ole Miss earning a law degree in 1939. Next came a few dull months of lawyering in Atlanta before he joined the FBI as a Special Agent in December 1939.

After training school and two resident agency stints, he was assigned in January 1941 to New York and the FBI's first major spy case under the legendary assistant director, Earl J. Connelley. The investigation began in February 1940 when a German immigrant named William Sebold told Agents of his recruitment into Nazi espionage. Codenamed “Tramp” by the FBI, Sebold suddenly found himself at the center of a

world-wide investigation; one that involved many firsts for J. Edgar Hoover's Agents including Double Agents, German and Japanese spies, phony FBI radio broadcasts, and cross-border operations into Mexico hunting for secret radio stations.

Working night and day, Crosby followed Hans Kleist, an espionage courier posing as a butcher on German ocean liners sailing between Europe and America. On June 29,

1941, he arrested Kleist — one of twenty nine German Agents captured that night — a record that still stands today as the largest spy round-up in U.S. history. Proudly looking back on the case, Hoover called it “the greatest of its kind in the nation's history.”

There is an old saying that a person turns a corner and meets his destiny. Just weeks after the December

7, 1941 Japanese attack on Pearl Harbor, Crosby turned that corner following an unexpected summons to the office of Percy Foxworth, Assistant Director of the New York Office. Foxworth was brief and to the point. After emphasizing the confidential nature of their meeting, he asked if Crosby would volunteer for an undercover assignment in a foreign country. He'd work alone, conducting espionage operations — it could be dangerous. How long he would be gone was anybody's guess — perhaps years. No one would know of his whereabouts, not even his parents. Crosby immediately agreed.

Crosby may have had second thoughts if he knew what he was signing up for. Just a month after Hitler's forces invaded France in May 1940, President Franklin D. Roosevelt ordered Hoover to set-up America's first foreign espionage service. Two months later, the FBI's new Special Intelligence Service (SIS) began sending FBI Agents to Latin America to steal military, political and economic secrets for use by Washington policy makers.

“Disaster” was the watchword for the SIS's first year of life. Agents departed America with no training or experience in undercover work. Even worse was the absence of plausible backstopping. Posing as salesmen for a non-existent New York firm, the hapless Agents carried no sales material nor any clue about what their company did. When questioned by prospective clients about their product line and U.S. contacts they were stopped in their tracks. It would have been humorous if they weren't facing the constant danger of arrest.

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An internal FBI history of the SIS later acknowledged these early miss-steps. An unfamiliarity with local languages, customs, and culture posed serious problems “for clandestine operations and widening (one’s) circle of acquaintances.” Undercover Agents found themselves isolated — a condition made worse by a prohibition against contact with the embassy or American ex-patriates “who could be trusted and approached for help.”

Scrapping this strategy, Hoover began reaching out to American corporations for support. Proctor and Gamble backstopped agents as soap product salesmen. Dun & Bradstreet covered them as researchers assessing the credit worthiness of South American companies. Armour Meat Company’s need for beef cattle offered access to the pampas of Chile and Argentina. Anaconda Copper opened up mining regions at the same time news organizations like *Newsweek* magazine supported them as journalists.

Walt Disney supplied a particularly unique cover. His animated movies featuring exotic birds and animals were wildly popular in Latin America. Backed by the Disney label, Agents wandered easily throughout the Brazilian jungles gathering intelligence under the guise of finding new wildlife for future films.

It was immediately evident that Crosby had exchanged an easy Manhattan bachelor life-style for a six-week training ordeal in Washington. Classroom sessions ran from 9am to 9pm, seven days a week with homework. Students struggled through Spanish and Portuguese under



“Communications between SIS agents in Latin America and Washington relied on a secret ink formula contained in a standard ink bottle and a code based on a Spanish-English dictionary. FBI officials warned departing Agents that if they lost either the bottle or the dictionary — don’t bother returning home. An anonymous Agent destined for Latin America captured Hoover’s draconian warning in this cartoon.” Cartoon gifted to author by Ken Crosby

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*Crosby taking Oscar-winning actress Ginger Rogers for a turn on the dance floor*

the direction of Special Agent Joseph Santaoiana, a Georgetown University cum laude graduate from Connecticut, who had taught school in Algeria. Additional lessons included espionage trade craft, secret writing, coding and decoding messages, and recruiting sources.

While Crosby spent the dreary winter of 1942 conjugating Spanish verbs, Foxworth was busy arranging for his cover. The Bureau’s system was simple and straight-forward. Foxworth would approach a President or Board Chairman and ask, on Mr. Hoover’s behalf, if the company would backstop the Agent.

One of his successes was Charles Merrill, a Wall Street baron and founder of the investment firm that still bears his name today. Merrill explained to Foxworth that no one could pose as a stock broker without knowledge of the business nor make legitimate trades without the right credentials. The

candidate must complete the Merrill Lynch training course, he insisted, and then pass the licensing examination. So after weeks of agony in Washington, Crosby found himself at 70 Pine Street in Manhattan learning the brokerage business.

In April 1942, Merrill’s new stock broker, now with a seat on the New York Stock Exchange, boarded a train for New Orleans. There, a ship awaited departure on a four thousand mile journey (through U-Boat infested waters) to Argentina where Hoover’s new spy would open Merrill Lynch’s first office in Buenos Aires.

Hoover had solved the local “Expat” problem as well. Tucked inside Crosby’s vest pocket was Charley Merrill’s letter of introduction to the director of National City Bank’s Buenos Aires branch, Leo Welch, who years later became the chairman of the Standard Oil Corporation. More important still was Welch’s awareness of Crosby’s real mission; a shared danger which forged a friendship that lasted for the rest of their lives. Welch soon began working the city’s business and social scene introducing his young friend to Argentina’s movers and shakers.

Crosby was surprised to find a country awash in cash with staggering sums of money flowing out of war-torn Europe. It did not take long before he was forced to hire a local broker to handle his rapidly growing list of clients. Crosby later laughed about his wild success during these Argentine years claiming that even “the village idiot” would have been successful during this period.

Spying in Latin America was always a challenge – but, in Argentina it was dangerous. For Hoover’s SIS men there was the never ending fear of the country’s corrupt right-wing leadership and its ever-vigilant secret police. Diplomatic tensions with Washington fueled by Argentine sympathy for the Nazi cause were always in play as well. Finally, there was its disregard for Hitler’s use of Buenos Aires as his South American espionage base. In the words of one historian “Argentina had long been entangled in a love affair with Germany.” Winston Churchill charged that it had “chosen to dally with evil.”

In the face of these dangers, Crosby’s secret mission was two-fold. First, penetrate key government ministries for secrets and, second, neutralize Nazi espionage through a carefully constructed network of informants.

The first rule of espionage is prevention of counterintelligence penetration of one’s operations and sources. A local police captain solved this problem. His access to law enforcement and security records produced data which kept Crosby safe — for a while.

Eloy Alfaro was an interesting character. A West Point graduate from a prominent Panamanian family, Alfaro was sent to Buenos Aires as a source. His wealth and influence opened doors to important officials and reams of intelligence. The FBI also exploited his links to the Roman Catholic Church which, as Crosby later told a group of CIA officers, was the most powerful foe of the Nazis in Latin America.

The Mafia also proved useful. In Crosby’s case, it was Antonio Stralla, a California gangster, who was murdered by gangland rivals after the war. Backed by FBI funds, Stralla regularly cozied-up with Italian embassy officials and Argentina’s Italian community while paying dock workers for information on the movement of goods and people along the waterfront.

Dudley Roberts was a wealthy New Yorker with a mother descended from American industrialists and a prominent Park Avenue physician father. He limped, the result of a childhood polio attack, which made him ineligible for military service. But he was a scratch golfer, a successful stock-broker and only the second American to earn a civilian pilot’s license. Years later he financed

Panavision, a new motion picture film process, first used in the 1960 movie *It’s a Mad Mad World*.

At the start of the war, he volunteered his services to the FBI, which secretly dispatched him as a source to Mexico City and then Buenos Aires. Like the suave Alfaro, Roberts’ pedigree and disarming style loosened many high-society lips eager to share gossipy tid-bits over cocktails and dinner.

Perhaps Crosby’s most important contact, however, was Antonio Badzinski — a Pole who moved invisibly throughout Latin America collecting intelligence as the head of the local Polish intelligence service. Decades later, the remarkable exploits of the Free Polish underground service would rank among the best.

What happened in Argentina often stayed in Argentina. Hoover never discovered the story of John Mannion. A lawyer and former Notre Dame football player, Mannion arrived in Buenos Aires around the same time as Crosby. One of his jobs was trolling for sources in the seedy bars along the docks and wharves dotting the Platte River. One night, a drunken German sailor, spotting Mannion as an American, decided to fight his own war with a Bureau Agent who didn’t back down. Before it was over, the German had carved a bloody slice across Mannion’s chin with a broken beer bottle. Rather than risking Washington’s wrath, Mannion simply bandaged it and went on spying. He wore that nasty scar as a badge of honor for the rest of his life.

Life in Argentina was not all bar room brawls and back-alley meetings with informants. There was always time to enjoy the city’s pleasures. A frequent Crosby haunt was Tabors, a garish nightclub and a center for European espionage modeled on Italy’s La Scala opera house. It was there one night that he met a young actress named Eva Duarte. Crosby loved to dance and frequently partnered with Eva doing the Samba, the latest dance craze sweeping across Latin America. Today the world remembers her as Eva Peron — the famed Evita — wife of Argentine dictator, Juan Peron.

FBI spying operations ended abruptly in 1944 when the police found evidence of espionage in the desk of a secretary working in the ministry of military affairs. The young woman was an SIS man’s informant; both were quickly arrested. With torture a real possibility, Hoover ordered all of his men to flee in the middle of the night on a FBI power boat stationed in a yacht basin for just this purpose. Hours later, they safely arrived at Montevideo, Uruguay after a harrowing one hundred and thirty mile trip down the Platte River.

Back in Washington, Crosby found himself briefly quarantined at Walter Reed Hospital, battling symptoms of tuberculosis. Once he was medically cleared, he began lobbying for an assignment to Cuba — a hope that FBI officials dashed for fear of a reoccurrence of his



Crosby in Cuba – Ken sitting in the middle with Win Smith, a Merrill Lynch owner on the left and his wife on the right at a bar in Cuba.

undiagnosed illness. His next stop — Mexico City.

Now he was under diplomatic cover as the American embassy's Assistant Civil Attaché with a new source named Cornelius Vanderbilt, IV. A bon vivant, and seven times married heir to a spectacular American fortune "Neal," as his friends called him, had defied family convention by becoming a journalist.

One of Neal's many friends was Esther Williams, the beautiful Olympic swimmer turned actress who one day found herself in Mexico preparing for a movie. After inviting her for dinner at *Ciro's*, Mexico City's most famous nightspot, he asked Crosby to escort Esther's young ingénue co-star. As the orchestra struck up a Samba beat, everyone began dancing. Crosby prayed that Williams would ask him to teach her the step, but she never took the bait. Instead, he found himself instructing his date for the evening. She was *Cyd Charisse*, a brilliant dancer and partner of *Fred Astaire* and *Gene Kelly* with more than forty movies to her credit.

With the war ending, the six-year FBI veteran had reached a crossroads. He had met an American beauty named *Eleanor Littlejohn* whom everyone called "Cricket." They were married on July 7, 1945. Eager to move on with life, Crosby left the FBI in 1946 and returned to *Merrill Lynch*, who was eager to take him back.

Luck struck again when the company sent him to *Havana, Cuba* as its first representative. Over the next fourteen years, he raised two children, built a beautiful home, hired *Jack Hemingway* as a broker and befriended his Nobel Prize winning father — all the while carefully monitoring the decay of the *Batista regime* and the rise of *Fidel Castro*.

While the world hailed *Castro* as a reformer, Crosby sized him up as a Marxist who would align himself with *Moscow* and straight-jacket the Cuban people. So it came as no surprise that after the Marxist takeover, Crosby was expelled with only the clothes on his back. As a further insult, his home became a Marxist school which it remains today.

The man never complained or looked back. If he did despair, no one noticed. After a few months in *New York* he was off again — this time as *Merrill Lynch's* man in *Madrid*.

Again fortune touched him when, in a bewildering twist of fate, Crosby reconciled with *Juan Peron*, then exiled in *Spain*, and took over management of the ex-dictator's stock portfolio.

A "man of the community" was how Crosby's close friend, *Douglas Wheeler*, remembered him.



*Ken and Peggy Crosby with Lydia Clarke and Charlton Heston*



*Crosby with conductor Mstislav Rostropovich*

As the new "un-official mayor of *Madrid*" he relentlessly lobbied Spanish politicians on behalf of the American Expat community for improved family services. One enduring accomplishment was his founding of *Madrid's* first American school taught by American teachers. Four years later, he transferred to

*Paris*. In 1966, after more than twenty years abroad, Crosby, now fifty, returned to America as the head of the company's *Washington, DC* office.

Crosby wasted no time putting his mark on the nation's capital. When urban rioting in the spring of 1968 turned *Washington* into a nightly ghost town, he jumped in to turn things around. Deploying his affable style and strong leadership, he took control of the *United Way* campaign, which brought in tens of millions of dollars for the poor and began closing the racial and political divide plaguing the city in those years. Facing a burned out inner-city and the new nightmare of *Metro* subway construction, Crosby continued his push for downtown revitalization. Operating behind the scenes, he helped launch the opening of *historic Ford's Theater* in 1968 as both a theater and a museum visited by thousands of tourists every year. In the 1970s, he assumed the four-year chairmanship of the moribund *Washington Performing Arts Society*. Its finances were soon stabilized and a new business model installed based on strategic partnerships with local theaters and the *John F. Kennedy Center* for the Performing Arts. Tenor *Luciano Pavarotti* along with conductor *Mstislav Rostropovich* and many other world-class artists soon began making *Washington, DC* a regular stop on their yearly schedules. By the start of the 80s, the *Washington Performing Arts Society* had become central to the city's cultural life.

*Cricket* died of cancer in 1977. A year later, a gorgeous *Rockland County, NY* school teacher named *Margaret "Peggy" Griffith* entered

Crosby's world. With a history and political science degree from *Alfred University*, fluency in *Spanish*, and several years of study in *Spain*, she was every bit his match. They married on July 13, 1979.

Nuptials, however, carried baggage. *Peggy's* older sister, *Aline Griffith*, was



*Peggy Crosby with Ronald Reagan*

wounded during World War II while serving with the Office of Strategic Services in Spain. After the war she became “Aline, Countess of Romanones” following her marriage to a Spanish nobleman, the Count of Quintanilla. She penned two memoirs: *The Spy Wore Red* and *The Spy Went Dancing* — both *New York Times* bestsellers. Their lively debates over the SIS - OSS rivalry always made Crosby chuckle.

Throughout his career he maintained regular back channel ties with the Intelligence Community. In retirement, Crosby emerged from the shadows as a frequent guest of the FBI and CIA proudly lecturing young professionals about spying during those early days.

Merrill-Lynch recognized this special man in 1981 by conferring on him the unique title of Diplomatic Liaison. The honor acknowledged the many years of service that he gave to Washington’s international community; his influential role as an advisory board member for Center for Strategic and International Studies and the diplomatic missions he undertook on his country’s behalf.

Until the last weeks of his life, Crosby routinely attended meetings, luncheons, dinner parties and conferences. He was always chatting someone up, carefully putting the right people together and always remaining true to himself as the consummate businessman, community leader and patriot.

Ken died on November 30, 2003. He was a Society member for 57 years.



*Peggy and Ken Crosby dancing*

## PHOTO FROM THE FILES



*NAC #8 11/8/1965 50th Anniversary*

*Submitted by Merritt Jenkins (1965-1995)*

*Front row: Jerry W. Brents, Holeman C. Gregory, D. Merritt Jenkins, Gerald J. Woltemat, Scollins D. Cash and Sidney E. Rubin; middle row: James A. Donegan, Thomas J. Barrett, Lawrence G. Lawler, David A. Manko(wich), John J. Walzer and Donald H. Pippin; back row: Duane D. Franklin, Stewart B. Hannon, Steve L. Christensen, Kenneth A. Yardell, Donald C. Slattum and Arthur W. Wells, Counselor*