

65-16

*See of Dept. of Defense  
cancel*

Dear Bob:

My staff has recently advised me of the increasing requirements being posed by DOD and ACDA to assess the costs and economic impact of military and space programs of foreign countries. Such studies, of much greater detail than are required for national estimates, are clearly essential to realistic program planning efforts. The intelligence community cannot at present fully meet these requirements. As a result, some studies are now being done for the DOD which differ from our assessments with respect to basic data, method and conclusions, and in fact differ from one another.

Accordingly, I directed that this problem be discussed with your Comptroller, Mr. Hitch, and that the possibility of greater centralization of attention and effort on this matter be explored. Mr. Hitch stated that the DOD requirements for costing foreign military programs will increase over even the present level. Consequently, I believe that economic analyses of the cost of foreign military programs and their implications, whether done within the Government or under contract, should be more centrally directed, monitored and evaluated. This approach would safeguard the quality and consistency of the research and would result in significant monetary savings to the Government.

Mr. Hitch, aware of CIA's past efforts in the economic field, reacted favorably to our suggestion that the intelligence community is best suited to provide a central point of reference in these matters and could meet the increasing requirements by supplementing the substantial core of experienced analysts now in CIA.

General Carroll has been informed of our conversation with Mr. Hitch. I believe him to be in full agreement with our views and anxious to work out mutually agreeable machinery to coordinate and integrate our efforts to efficiently meet DOD and other needs.

*James Earl Ray*

If you agree, I propose to work out arrangements with the Bureau of the Budget to expand CIA's capabilities for this type of research on the premise that off-setting dollar savings will accrue by a reduction in the need for DOD to let external contracts in these fields. I do not suggest that DOD restrict its flexibility in relying on outside contracts where you deem this advisable. But I would suggest that such contracting be done in the full light of the capability and experience of the intelligence community.

I would appreciate a statement of your views on this matter making clear the priority of DOD's requirements as well as your reaction to the proposal to seek a more centralized response to this problem.

I intend to discuss this matter, which has similar implications for our support of ACDA, with Bill Foster.

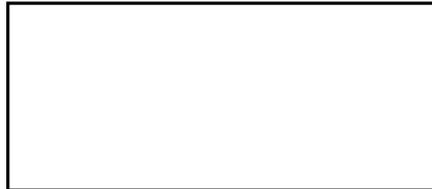
Sincerely,

(Signed) John A. McCone

John A. McCone  
Director

*STAT*  
The Honorable Robert S. McNamara, *cut*  
Secretary of Defense  
Washington, D.C.

CONCUR:



STAT

DDI: PAB: du: 5Jan65

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1	DDCI - I recommend you talk to Mr. McNamara along these lines		
2	DCI rather than figure this out		
3	now asking for his views		
4			
5	signed by DCI - 7 Jan 65		
6			

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Remarks:  
 In line with our recent discussions. This was originated in DDI and has been coordinated with BPAM.  
 Signature requested.

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