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1947

DOCUMENT NO.
NO CHANGE IN CLASS. ☐
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S C 2011
NEXT REVIEW DATE:
AUTH: HR 70-2
DATE: 14 APR 1981 REVIEWER:

25X1

MR. CHAIRMAN:

FIRST, I WANT TO EXPRESS MY SINCERE APPRECIATION FOR THE SPECIAL CONSIDERATION YOU ARE GIVING ME AND MY AGENCY.

BEFORE MAKING MY FORMAL PRESENTATION I DESIRE TO AVAIL MYSELF OF THE PRIVILEGE GRANTED AT MY LAST APPEARANCE BEFORE A CONGRESSIONAL COMMITTEE; THAT IS TO TALK "OFF THE RECORD." IT IS MY SINCERE DESIRE TO SPEAK MOST FRANKLY TO YOU, BUT TO DO SO MY REMARKS MUST BE "OFF THE RECORD" AS THEY DEAL WITH MATTERS OF VITAL INTEREST TO THE NATIONAL SECURITY. I INTEND TO FOLLOW THIS BROAD OUTLINE IN MY PRESENTATION; FIRST, A SHORT REVIEW OF THE FOUNDATION OF THE CENTRAL INTELLIGENCE GROUP AND ITS ASSIGNED MISSION; SECOND, A BRIEF DISCUSSION OF THE

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ORGANIZATION PROVIDED TO CARRY OUT THESE MISSIONS; THIRD, A BROAD STATEMENT OF OUR BUDGETARY REQUIREMENTS; AND FOURTH, SOME EXAMPLES OF THE EFFECTIVENESS OF THE ORGANIZATION, OR IN OTHER WORDS, CONCRETE EVIDENCE OF THE VALUE THE GOVERNMENT HAS RECEIVED FOR MONIES EXPENDED DURING THE CURRENT FISCAL YEAR.

PRIOR TO WORLD WAR II THE WAR, NAVY, AND STATE DEPARTMENTS EACH HAD A LIMITED NUMBER OF PERSONNEL ENGAGED IN THE PRODUCTION OF INTELLIGENCE. THERE WAS NO POSITIVE METHOD BY WHICH THE PRODUCT OF THESE THREE DEPARTMENTS COULD BE ASSEMBLED AND VIEWED AS A WHOLE. IN EACH CASE THE INFORMATION FURNISHED WAS SLANTED TOWARD THE NEEDS AND POLICIES OF THE PARTICULAR DEPARTMENT. FEW EMPLOYEES WERE WILLING

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TO DEVOTE THEIR ENTIRE EFFORT TO AN INTELLIGENCE CAREER. SPECIALIZATION IN THIS DIRECTION USUALLY MEANT A DEAD-END FOR THE INDIVIDUAL. THE DISASTER AT PEARL HARBOR AND THE INVESTIGATIONS WHICH FOLLOWED PROVED CONCLUSIVELY THAT THE INTELLIGENCE AVAILABLE TO THE VARIOUS AGENCIES OF GOVERNMENT MUST BE CENTRALIZED IF NATIONAL INTELLIGENCE IS TO BE PRODUCED FOR THE PRESIDENT AND THE POLICY-MAKING MEMBERS OF THE GOVERNMENT. IT FURTHER PROVED THAT THE INTELLIGENCE ACTIVITIES OF EACH DEPARTMENT MUST BE CAREFULLY CONTROLLED AND THE RESULTS OF THEIR ACTIVITIES CAREFULLY ANALYZED FROM AN OVER ALL NATIONAL VIEW POINT, RATHER THAN THE SPECIALIZED NEEDS OF THE DEPARTMENT.

LACKING CONGRESSIONAL DIRECTIVE TO PROVIDE THIS CENTRALIZATION, ON 22 JANUARY 1946 THE PRESIDENT, BY DIRECTIVE TO THE SECRETARIES OF

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STATE, WAR, AND NAVY, CREATED THE NATIONAL INTELLIGENCE AUTHORITY TO CONSIST OF THE SECRETARIES OF STATE, WAR, NAVY, A PERSONAL REPRESENTATIVE OF THE PRESIDENT, (IN THIS CASE ADMIRAL LEAHY), AND A DIRECTOR OF CENTRAL INTELLIGENCE TO SIT AS A NON-VOTING MEMBER. THIS DIRECTIVE FURTHER PROVIDED A CENTRAL INTELLIGENCE GROUP UNDER A DIRECTOR OF CENTRAL INTELLIGENCE WHICH WOULD IMPLEMENT THE POLICIES ESTABLISHED BY THE NATIONAL INTELLIGENCE AUTHORITY. THE AUTHORITY WAS DIRECTED TO PLAN, DEVELOP, AND COORDINATE ALL FEDERAL FOREIGN INTELLIGENCE ACTIVITIES SO AS TO ASSURE THE MOST EFFECTIVE ACCOMPLISHMENT OF THE INTELLIGENCE MISSION RELATED TO THE NATIONAL SECURITY.

THE FIRST DIRECTOR OF CENTRAL INTELLIGENCE, ADMIRAL SIDNEY W. SOUERS, HEADED A GROUP OF SELECTED PERSONNEL DETAILED BY THE THREE

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DEPARTMENTS TO STUDY THE PROBLEM POSED IN CENTRALIZING THE INTELLIGENCE OF THIS GOVERNMENT. FROM JANUARY UNTIL LATE JUNE 1946, THIS SMALL GROUP WAS ENGAGED IN PLANNING FOR THE OPERATIONS TO BE UNDERTAKEN BY THE CENTRAL INTELLIGENCE GROUP. I WAS DETAILED ON 10 JUNE 1946, TO REPLACE ADMIRAL SOUERS BECAUSE OF HIS RETURN TO CIVIL LIFE. ON 8 JULY 1946, THE NATIONAL INTELLIGENCE AUTHORITY, BY WRITTEN DIRECTIVE, GAVE ME THE FOLLOWING MISSIONS:

A. ACCOMPLISH 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.

B. PLAN FOR THE COORDINATION OF SUCH OF THE ACTIVITIES OF THE INTELLIGENCE

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AGENCIES OF THE DEPARTMENTS OF STATE, WAR, AND NAVY AS RELATE TO THE NATIONAL SECURITY AND RECOMMEND TO THE NATIONAL INTELLIGENCE AUTHORITY THE ESTABLISHMENT OF SUCH OVER-ALL POLICIES AND OBJECTIVES AS WILL INSURE THE MOST EFFECTIVE ACCOMPLISHMENT OF THE NATIONAL INTELLIGENCE MISSION.

c. PERFORM FOR THE BENEFIT OF THE DEPARTMENTS SUCH SERVICES OF COMMON CONCERN AS CAN BE MORE EFFICIENTLY ACCOMPLISHED CENTRALLY.

D. CONDUCT ALL ORGANIZED FEDERAL ESPIONAGE AND COUNTER-ESPIONAGE OPERATIONS OUTSIDE THE UNITED STATES AND ITS POSSESSIONS, FOR THE COLLECTION OF FOREIGN INTELLIGENCE INFORMATION REQUIRED FOR THE NATIONAL SECURITY.

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E. CONDUCT ALL FEDERAL MONITORING OF PRESS AND PROPAGANDA BROADCASTS OF FOREIGN POWERS REQUIRED FOR THE COLLECTION OF INTELLIGENCE INFORMATION RELATING TO THE NATIONAL SECURITY.

F. UNDERTAKE SUCH RESEARCH AND ANALYSIS AS MAY BE NECESSARY TO DETERMINE WHAT FUNCTIONS IN THE FIELDS OF NATIONAL SECURITY INTELLIGENCE ARE NOT BEING PRESENTLY PERFORMED, AND TO FURTHER CENTRALIZE SUCH RESEARCH AND ANALYSIS ACTIVITIES AS MAY BE MORE EFFICIENTLY OR EFFECTIVELY ACCOMPLISHED CENTRALLY.

THE OPERATING EXPERIENCES OF THE PERIOD JANUARY TO JULY 1946, INDICATED THE IMPRACTICABILITY OF DEPENDING UPON THE PERSONNEL AND SERVICES FURNISHED BY THE VARIOUS DEPARTMENTS.

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THEREFORE, ON 30 JULY 1946, THE THREE SECRETARIES, WITH THE CONSENT OF THE SECRETARY OF THE TREASURY, ESTABLISHED A CENTRAL WORKING FUND UNDER MY CONTROL TO BE UTILIZED IN THE DIRECT HIRING OF PERSONNEL AND THE FURNISHING OF SERVICES NECESSARY FOR THE EFFICIENT OPERATION OF THE GROUP. AS A RESULT OF THIS ACTION, FUNDS IN THE AMOUNT OF SIXTEEN MILLION DOLLARS ($16,000,000) WERE MADE AVAILABLE TO THE GROUP FOR ITS OPERATION FOR THE REMAINDER OF THE FISCAL YEAR 1947. THESE FUNDS WERE FURNISHED AS FOLLOWS:

WAR	$15,500,000
NAVY	250,000
STATE	180,000

TO ACCOMPLISH THE MISSION ASSIGNED, I HAVE ORGANIZED MY GROUP INTO FOUR MAJOR OFFICES:

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THE OFFICE OF OPERATIONS AND THE OFFICE OF SPECIAL OPERATIONS TO PROVIDE FOR THE COLLECTION OF INTELLIGENCE INFORMATION NOT FURNISHED BY THE EXISTING DEPARTMENTS OF GOVERNMENT; THE OFFICE OF REPORTS AND ESTIMATES TO FULFILL MY MISSION OF EVALUATION AND CORRELATION; AND THE OFFICE OF COLLECTION AND DISSEMINATION TO PROVIDE FOR THE COLLECTION OF INFORMATION FROM THE OTHER DEPARTMENTS AND THE PROPER DISSEMINATION OF THE INTELLIGENCE PRODUCED BY THE GROUP. THESE OFFICES PROVIDE FOR EXPLOITING ALL SOURCES OF INFORMATION -- BE THEY OPEN, THAT IS AVAILABLE FROM OTHER INTELLIGENCE AGENCIES, BOOKS, RADIO BROADCASTS, PUBLISHED DOCUMENTS, NEWSPAPERS, AND PERIODICALS, OR BE IT INFORMATION WHICH MUST BE OBTAINED BY CLANDESTINE MEANS. THE LATTER, GENTLEMEN, FRANKLY PLACES THE UNITED STATES FOR THE FIRST TIME IN ITS HISTORY

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IN THE BUSINESS OF SPYING.

IT IS RECOGNIZED THAT THE AVERAGE AMERICAN DOES NOT ACCEPT CLANDESTINE OPERATIONS AS BEING COMPATIBLE WITH THE AMERICAN STANDARDS OF FAIR PLAY. HOWEVER, IF YOU GENTLEMEN SHOULD READ THE REPORT OF THE [redacted] THAT INDICATED A HONEY-COMBING OF THE FRAMEWORK OF THE [redacted] GOVERNMENT BY AGENTS OF AN ALLEGED FRIENDLY POWER, I FEEL SURE NO QUESTION WILL BE RAISED BY YOU AS TO THE NECESSITY OF PROVIDING SECURITY FOR OUR COUNTRY. WE MUST KNOW AS FAR IN ADVANCE AS POSSIBLE WHAT THE PLANS OF OUR POTENTIAL ENEMIES ARE, WHAT THEIR ABILITIES MAY BE TO WAGE WAR, AND WITH WHAT TECHNOLOGICAL DEVELOPMENTS THE NEXT STRUGGLE MAY BE RENDERED MORE TERRIBLE THAN THE USE OF ATOMIC ENERGY ON DEFENSELESS CITIES OR BACTERIOLOGICAL WARFARE

25X1

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AT ITS GREATEST DEVELOPMENT. THESE FACTS CANNOT BE OBTAINED BY NORMAL OPEN METHODS OF COLLECTION. THEY CANNOT BE HAD MERELY FOR THE ASKING.

I HAVE ASKED THIS COMMITTEE TO APPROVE A TOTAL BUDGET IN THE AMOUNT OF [redacted] 25X1

[redacted]

THIS, GENTLEMEN, IS MOST NECESSARY SINCE THE COST OF MAINTAINING AN AGENT IN ANY COUNTRY IS A FAIRLY CONSTANT FIGURE. BY KNOWING THE TOTAL AMOUNT OF MONEY AVAILABLE TO US, RUSSIAN

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INTELLIGENCE, THE NKVD, AND ITS COUNTERPARTS IN OTHER COUNTRIES, COULD WELL ESTIMATE THE EFFECTIVENESS OF MY ORGANIZATION AND TAKE SUCH COUNTER-MEASURES AS WERE DEEMED NECESSARY.

THIS [redacted] IS 25X1

ROUGHLY BROKEN INTO TWO MAJOR CLASSIFICATIONS --VOUCHERED FUNDS IN THE AMOUNT OF [redacted] 25X1

25X1 [redacted]

25X1 ($[redacted]) AND UNVOUCHERED FUNDS IN THE AMOUNT OF [redacted] 25X1

25X1 [redacted] THESE FUNDS ARE PLACED WITHIN THE FOLLOWING PROJECTS:

[redacted]

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I AM SURE YOU GENTLEMEN WILL DESIRE AN EXPLANATION AS TO THE NECESSITY FOR SUCH A LARGE PORTION OF OUR BUDGET BEING PLACED IN THE UNVOUCHERED CATEGORY. I HAVE ONE BASIC REASON FOR THIS--THAT IS SECURITY. BY THE USE OF UNVOUCHERED FUNDS I CAN MORE NEARLY INSURE THE SAFETY OF MY INDIVIDUAL EMPLOYEES, ESPECIALLY AGENTS ABROAD WHOSE VERY LIFE DEPENDS ON IT, AND CAN SECURE EQUIPMENT AND SUPPLIES WITHOUT REVEALING THE PURPOSE FOR WHICH THESE ITEMS WERE ASKED. FOR EXAMPLE,

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GENTLEMEN AN AVERAGE PAYROLL OF A FEDERAL EMPLOYEE IN ITS PROCESSING CAN BE SEEN BY A MINIMUM OF THREE HUNDRED INDIVIDUALS, ANY ONE OF WHOM MIGHT BE AN ENEMY AGENT. I HAVE ESTABLISHED WITHIN MY ORGANIZATION THE SAME CONTROLS OVER EXPENDITURE OF FUNDS THAT ARE REQUIRED IN THE USE OF VOUCHERED FUNDS. THE SECURITY FACTOR IS MET BY THE CAREFUL CONTROL OF MY OWN EMPLOYEES. IT IS MY INTENTION THAT A MAJOR PORTION OF THE UNVOUCHERED FUNDS BE EXPENDED OVERSEAS. AGAIN, BY THE USE OF THESE FUNDS, I CAN PROTECT TO A GREATER EXTENT THE OPERATIONS OF OUR AGENTS. WHEREVER POSSIBLE IN THE CONTINENTAL UNITED STATES VOUCHERED FUNDS WILL BE USED TO THE SAME EXTENT AND UNDER THE SAME CONDITIONS THAT ANY OTHER GOVERNMENT AGENCY EXPENDS ITS FUNDS. I MIGHT POINT OUT, GENTLEMEN, THAT THIS IS IN DIRECT

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CONTRAST TO THE FUNDS UTILIZED BY THE INTELLIGENCE AGENCIES OF THE FOREIGN POWERS. IN PRACTICALLY ALL CASES, THE SECRET INTELLIGENCE OF FOREIGN POWERS IS FINANCED WITH NO CHECKS EXCEPT THE TRUST OF THE COUNTRY IN THE INDIVIDUALS EMPLOYED BY THE INTELLIGENCE SERVICES. CONTROLS AND DEFENSES FOR EXPENDITURES ARE PRACTICALLY LACKING. OUR VOUCHERED FUNDS ARE EXTENDED IN A RATIO OF APPROXIMATELY

25X1 [redacted] FOR PERSONAL 25X1

SERVICES AND [redacted]

25X1 [redacted] FOR ALL OTHER PURPOSES.

THE DETAILS OF THESE APPROPRIATIONS ARE AVAILABLE AND HAVE BEEN CAREFULLY REVIEWED BY SELECTED REPRESENTATIVES OF THE BUREAU OF THE BUDGET. I WILL GLADLY ANSWER SUCH DETAILED QUESTIONS AS YOU MAY DESIRE AT THE END OF THIS PRESENTATION.

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I FEEL, AND I KNOW THE NATIONAL INTELLIGENCE AUTHORITY FEELS, THAT WE HAVE ALREADY MADE GREAT ADVANCES IN THE COORDINATION OF INTERDEPARTMENTAL INTELLIGENCE. [redacted] 25X1 25X1

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MADE GREAT STRIDES IN PLANNING FOR THE EXPLOITATION OF INFORMATION OBTAINED FROM [redacted] 25X1

ALL THESE MATTERS I CAN ELABORATE ON TO THE EXTENT YOU DESIRE.

I ALSO WANT YOU TO KNOW SOMETHING OF OUR CLANDESTINE OPERATIONS, APPEALING IN THE INTERESTS OF SECURITY FOR YOUR DISCRETION.

(PRESENT BRIEF STORY OF SO OPERATION.)

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