Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Executive Registry
75-4219

THE UNIVERSITY OF CHICAGO
THE LAW SCHOOL
1111 EAST 60TH STREET
CHICAGO · ILLINOIS 60637

DDI-176-75

January 15, 1975

Mr. William Colby
Director of Central Intelligence
Central Intelligence Agency
Washington, D. C. 20505

Dear Bill:

I enclose a paper that I have written for the Commission on the Organization of the Government for the Conduct of Foreign Policy. The coverage of the paper reflects the interests of the Commission staff, as I understand them.

I should be pleased to have any comments that you may wish to offer. If you would prefer to give them orally, my telephone number is 312-753-2393. I shall probably have to put this paper in final form within the next two weeks.

With warm regards,

Sincerely,

Kenneth W. Dam
Professor of Law

ap

Enc.

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

ECONOMIC INTELLIGENCE AND ANALYSIS

Kenneth W. Dam

Prepared for the
Commission on the Organization of the Government
for the Conduct of Foreign Policy

January 1975

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

CONTENTS

		Page
SUMMARY		i
I.	The Growing Importance of Economic Intelligence	1
II.	Economic Information vs. Economic Intelligence	3
III.	The Importance of Competition	4
IV.	Analysis for the Executive Office of the President	6
V.	The Location of the Government's Analytical Resources	9
	1. A New Intelligence Community Organ	11
	2. A New Analytical Agency	12
	3. A New Think-Tank	13
	4. Tasking an Existing Department	14
	5. Reliance on the Federal Reserve Board	14
VI.	The Consumer Role in Economic Intelligence and Analysis	16
VII.	Improvements in the Quality of Analysis	18
VIII.	Conclusion	21

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

SUMMARY

I. Economic intelligence has grown in importance over the past five years (pp. 1-3).

II. The consumer is not interested in the sources of economic information and therefore analysis must be based on facts derived from both intelligence and other sources (pp. 3-4).

III. Competition in analysis is desirable, and its costs are slight. The need to protect sensitive intelligence sources may on occasion limit the effectiveness of this competition between intelligence and other agencies (pp. 4-6).

IV. White House consumers often mistrust departmental analysis, but they appreciate the objectivity and responsiveness of the intelligence community and the quality of its work (pp. 6-9).

V. The central organizational question is whether the economic analytical resources of the CIA should be retained or whether their function should be transferred elsewhere. Five options for locating these resources, if transfer is favored, are (1) a new intelligence community organ; (2) a new agency outside the intelligence community; (3) a quasi-governmental think-tank; (4) an existing department; and (5) some other existing agency, such as the Federal Reserve Board. The conclusion reached is that none of these five options is superior to the present organization. Nevertheless, it would be desirable to create an analytical think-tank and to strengthen existing analytical staffs while retaining the CIA economic staff (pp. 9-16).

VI. The consumer has a vital role in economic intelligence and analysis. A committee of consumers for discharging that role should be maintained (pp. 16-18).

VII. Economic issues are different from national security issues and hence different working methods are appropriate and could improve the quality of analysis. In particular, more interchange between analysts in the intelligence and other agencies would be highly desirable. Several other recommendations are offered in the text (pp. 18-21).

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

ECONOMIC INTELLIGENCE AND ANALYSIS

I. The Growing Importance of Economic Intelligence.

Economic intelligence has grown in importance over the last five years. This growth is not a fad. It derives from the change in the nature of the policy issues of central concern to the President and his principal advisors.

Until five years ago foreign economic policy provided a relatively known environment against which primary national security issues could be addressed. Economics was, in the foreign sphere, a constant against which the important political and military variables could be studied. Consequently, despite important trade and aid issues, economic intelligence was mainly concerned with the Soviet and Chinese economies and was a handmaiden of national security intelligence.

Today the nation's agenda of foreign issues is different. Foreign economic policy has reached center stage. There are few constants in foreign policy, least of all the economic questions where we confront a set of issues hardly imaginable five years ago. Beginning in 1971 the monetary rules changed, and international negotiations on exchange rates, exchange market intervention and the like became important to the United States and of direct concern to the President. Today these monetary issues find an entirely new framework characterized by what is called the petrodollar problem. The forth-

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

coming trade negotiations, while not more important than the Kennedy Round, are nonetheless more likely to be entangled in political matters. And overshadowing more traditional economic concerns for the past year has been the question of access to resources. The oil problem is in the forefront, but we cannot be certain that we will not face similar challenges in other raw materials.

These newer problems have vastly broadened the number of countries with which economic intelligence must be concerned. For example, an effort to understand the policies and intentions of the major Arab oil producers is vital. And to the extent that economic intelligence must be focused upon intentions, and not merely upon capabilities, economic intelligence must enter a sphere of inquiry where intelligence analysts have been traditionally cautious in the security and military fields.

Not only have the past five years brought economic issues to the fore, but the difficulties of economic intelligence analysis have been compounded by the interconnections between economic, political and military questions. The Middle East oil producers provide an example. An attempt to understand the present, much less prepare for future contingencies, purely through economic analysis would obviously be useless. Political considerations shape many Arab economic measures. The military buildup financed with foreign exchange earnings

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

from oil is a powerful factor in estimating future behavior. These political and military factors grow out of the complex history of the Middle Eastern peoples and cannot be understood by economic analysts working alone.

II. Economic Information vs. Economic Intelligence.

Although this paper is concerned with economic intelligence, that topic cannot be properly addressed without recognizing one central fact: The consumer is interested in information, not intelligence as such. Except as a matter of occasional curiosity, the consumer has no interest in the source of information. It makes no difference to him whether the source of a fact is a publication, diplomatic reporting, or intelligence operations. What he does need is the facts, the analysis, and the understanding of problems or events that will often require a blend of all three kinds of information.

The fact that information derived from intelligence sources can often make a major contribution to an overall understanding of a problem or event must condition attitudes toward the comparative advantage of various agencies in analysis. Because of the experience required to evaluate an isolated piece of information derived from intelligence sources, there may be occasions when the blending job is best done by the CIA. How often this will be the case is impossible to say. But one cannot be certain that an organizational solution which

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

involved using the intelligence community solely for intelligence collection and daily intelligence production, leaving to other agencies of government the analytical job, might not result in an inferior product in some areas. The risk of such a result would be highest where economic and security issues intertwine, as they do for example in oil questions.

III. The Importance of Competition.

Perhaps the greatest organizational shortcoming in the intelligence community is the failure to appreciate the value of competition in analysis. No doubt intelligence collection must be highly organized, and competition in collection is wasteful, if not in fact dangerous. But the analytical task is an intellectual task. A monopoly in anyone's hands of an analytical task leads to mediocrity.

But just as there is no reason to give the intelligence community, or any part of it, a monopoly over particular analytical tasks, so too competition from the analytical resources of the intelligence community is a good thing for the other agencies of government. To take a single example, analysis by the CIA of foreign agricultural conditions, particularly in the Soviet Union, stimulated the Department of Agriculture to do a better job during the period when export controls were a central policy issue in 1973.

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

A central recommendation must therefore be to avoid the normal tendency in discussions of government organization. That tendency is to decide what group is best equipped to do a particular task and then to assign that task to that group alone. Where analysis of economic conditions and events is concerned, we want as many groups to be engaged as can make a contribution exceeding the costs of the analytical resources involved.

Analysis is inexpensive, and hence the costs of competition are slight. Within the intelligence community, outlays for collection dwarf those for analysis. Within the departments, analytical staffs, though growing, are still modest in size. We have not yet reached the point where we need to worry about wasting money on analysis.

In the preceding section I suggested that because of its superior ability to evaluate isolated facts derived from intelligence sources, the intelligence community might have a comparative advantage for certain analytical tasks. The way to find out how important that comparative advantage is would be to encourage competition in analysis of particular problems between the intelligence community and other Government agencies.

Nevertheless, the problem of compromising intelligence sources limits the effectiveness of this competition where sensitive intelligence sources are involved. The intelligence community will be understandably reluctant to take any chances

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

by transmitting raw, unevaluated intelligence to other agencies. This is a particular problem because the analytical staffs of the domestic agencies (such as Treasury, Commerce, Agriculture, etc.) have little sensitivity to intelligence problems and may not always carefully follow procedures for safeguarding intelligence information. Nor should analysts for those agencies be chosen on the basis of their experience with intelligence matters; analytical talents are too scarce to try to make analysts for domestic agencies junior intelligence officers. The consequence is that one must live with the fact that some kinds of relevant facts will not be available to the domestic agencies in the preparation of their analytical work. But imperfect competition is better than no competition at all. And the amount of this withholding of facts can be kept to a minor, and probably insignificant, amount by improved liaison procedures between the domestic agencies and the intelligence community. The development within the past two years of the intelligence staff within the Treasury may point the way to the solution of these kinds of problems.

IV. Analysis for the Executive Office of the President.

If competition is desirable, it will nonetheless be true that each agency will tend to rely most heavily on its own analysts. But there is one part of the Government that does not have its own analytical staff and that for reasons to be discussed later probably should not have its own analytical

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

staff. That is the Executive Office of the President, including the CIEP, the STR, the NSC, and, on some issues, the OMB. (These Executive Office agencies will be collectively referred to hereafter as the White House.)

White House officials tend to distrust departmental analyses. They have learned through experience that such analyses tend to support the policy positions of the department. Since any international economic issue that is likely to command the ongoing interest of the White House will involve a difference of policy view among a number of departments, this distrust is serious.

In some cases the distrust is quite justified. Examples of slanted analysis, consciously calculated to support a departmental position, may be rare (though one can never be sure how rare). It is more likely that departmental analysis that conflicts with departmental policy will not reach the White House. But by far the most common factor engendering this distrust of departmental analysis is that the long-standing interests and concerns of a particular department will automatically shape the design of a research effort and the inputs to it.

White House officials consequently tend to place high value on analysis coming from the intelligence community. To them it has an objectivity that they do not expect from the departments. True objectivity is no doubt intellectually

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

impossible, and hence it may often be that White House officials simply fail to perceive the unarticulated assumptions and the predispositions underlying the product of the intelligence community (perhaps because that product is not accompanied by policy recommendations). Nonetheless, the intelligence community's work does enjoy a reputation for objectivity that means it will be read by White House officials when departmental studies will not be. Under these circumstances any organizational change that had the effect of reducing the flow of analysis from the intelligence community to the White House would be a self-imposed wound that could not be compensated for by the expansion of departmental analytical capacities.

Paralleling the reputation for objectivity is the responsiveness of the intelligence community to White House requests for information and analysis. Because White House interest is usually tied to impending policy decisions and since such decisions usually involve differences of opinion among at least two departments, the White House may not be able to rely upon one of the contending departments for prompt work on specific points. It is an unfortunate reality that in the struggle for control of policy, departments are wont to use control of information as a tool. Hence, the responsiveness of the intelligence community to requests for specific pieces of analytical work is highly valued.

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Aside from objectivity and responsiveness, the quality of CIA analytical work is also valued by White House consumers. It is well known that the staff of economists in the CIA is at least equal to the staff of any of the departments.

V. The Location of the Government's Analytical Resources.

Where should the resources for the interpretation of economic intelligence and other economic information be located within the Government? Thus far three propositions have been set forth that bear on this question. The first, which is largely implicit, is that every policy department will want its own analytical staffs and this desire should be supported, not resisted. The second is that competition is a good thing in economic analysis as in economic activity. Analysis is cheap compared to intelligence collection and most other relevant variables, such as statistics collections. Attempts to allocate analytical jobs from the top of Government are counterproductive. The third proposition is that the White House often mistrusts, partly for good reason, the analytical work of the policy agencies.

If these three propositions are accepted, then the organizational question becomes largely whether the economic analytical resources of the CIA should be retained (or indeed expanded) or, on the other hand, whether this function should be transferred to some new or existing institution.

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

The grounds for retaining the CIA staff are compelling. In the first place the staff exists. And it is of high quality. Institutions are not built in a day. Just as one cannot build a great university or research institute from scratch in a few years, so too one cannot be sure that a new governmental analytical organization could be created that would be the equal of the CIA's economic staff. The organizational planner's penchant for moving boxes around may produce results when one seeks better coordination or better policy implementation but is downright dangerous when one is dealing with intellectual tasks.

If the decision is nevertheless made to shift the analytical responsibility from the CIA (either as a result of a judgment on the merits of the question or as part of a major restructuring of the intelligence community resulting from the current public debate over the CIA), then a number of possibilities present themselves. First, a new intelligence community organ could be created, separate and distinct from agencies with a collection responsibility. Second, a new analytical agency outside the intelligence community could be created. Third, as a variant of the second, a quasi-governmental think-tank could be created for long-term analytical efforts, leaving day-to-day fact collection and intelligence production to existing agencies. Fourth, an existing department could be tasked with the job of providing analytical support for the Government in general and the White House in particular. The

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

prime candidates for such a function would appear to be the State and Treasury Departments. Fifth, some other agency could be chosen for the analytical task. The Federal Reserve Board, with its extensive economic staff and legal independence, would be the major candidate. In the rest of this section of the paper, these five alternatives will be evaluated.

1. A New Intelligence Community Organ. Should a new intelligence community organ, separate and distinct from collection agencies, be created to replace the CIA economic staff? An argument could be made that such a "separation of powers" within the intelligence community would be desirable. It might be thought that such a separation would help to safeguard the citizen's liberties by diffusing the power of the intelligence community. Or it might be thought that such a separation would prevent the collectors from dominating the analysts.

On reflection, such an organizational change would be undesirable. In the first place, the intelligence community is already too fragmented. To separate analysts from collectors further would be to accentuate the regrettable tendency to make collection an end in itself. If collection is to be relevant and cost-effective, feedback from analysts to collectors should be strengthened, not weakened. And in the second place, the destruction of an existing, first-class analytical staff within the CIA in order to create a new institution does not seem wise. The result would likely be a move toward mediocrity.

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Of course, as would probably be the result in fact, the CIA staff could simply be moved en masse to a new organization. But if all that is involved is this kind of box-shuffling, it is difficult to see what would be accomplished. Career patterns would be distorted, and it is not clear that recruitment of new talent would be improved. One may conclude that this first option has little to commend it.

2. A New Analytical Agency. The second option differs from the first insofar as the new analytical agency would be outside the intelligence community. Presumably the major additional advantage would be that the new agency would be more open to the public, less parochial, and perhaps more able to recruit talent, particularly in-and-out experts from universities and from business. The location of such an agency within the Government would naturally be a question. The principal consumers would probably be within the Executive Office of the President and hence the Executive Office would be a natural candidate for housing such an institution. An objection would naturally be raised that the Executive Office is too large, and such a new institution would tend to diminish the importance of the departments in economic policy making. A more weighty disadvantage is the one already mentioned in connection with the first option--namely, that it would be difficult to create a first-class new analytical shop from scratch. Meanwhile, the existing resources of the CIA would be dissipated.

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

3. A New Think-Tank. A variant of the second option is to create the new agency in a quasi-governmental institution. The RAND Corporation is a prototype that will convey to most people what would be involved. Such a think-tank would necessarily be involved in long-range, "big picture" analysis. Indeed, that would be its strength. A certain distance from the pressures of day-to-day issues may lead to greater objectivity and thoroughness in analysis. Moreover, such a think-tank could perhaps use experts from outside the government more effectively than could governmental agencies, particularly intelligence agencies. On the other hand, it is not clear that one can successfully separate the long-term analytical job from the day-to-day analytical job. In any case, top-level consumers will be primarily interested in short, specific pieces of analysis that are hand-tailored to immediate policy issues. The objectivity of the CIA could be duplicated in a think-tank but not the responsiveness to policy officials. The work of such a think-tank might provide important background studies and certainly would be helpful to analysts doing the short-term, more directed analytical jobs. But such a think-tank could not effectively replace the CIA economic staff, even assuming a staff of equal competence could be assembled. Moreover, such a think-tank staff would have a harder time obtaining access to sensitive information collected by the intelligence community than would a regular

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

governmental institution. The conclusion one is driven to is that a think-tank for international economic analysis would be a useful institution to supplement existing capabilities but that it could not substitute for analytical work within the Government.

4. Tasking an Existing Department. The analytical work of the CIA could be taken over by an existing department. Most people would place this responsibility within the State Department. Those who view foreign economic policy as more a branch of economic policy than of foreign policy would no doubt resist such a transfer and would be more likely to choose another department, probably the Treasury. However one resolved that issue, it is unlikely that White House consumers would be satisfied with either alternative. The very reasons why they mistrust departmental analysis and appreciate the responsiveness of the CIA today would lead them to be unsatisfied with this option. In short, a major improvement of State and Treasury analytical capacities would be highly desirable but would not substitute for the advantages of the CIA economic analytical staff.

5. Reliance on the Federal Reserve Board. An answer to the argument against location of the economic analytical function in State or Treasury might be found in selection of another agency which did not have major policy responsibilities. The Federal Reserve Board would be the natural candidate. It already has an excellent, and some would say underutilized,

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

economic staff. The Fed has independence, both by statute and by the temperament of its staff.

Although greater use of the Fed's staff would no doubt be desirable, there are several considerations that give one pause. In the first place, it is not quite true that the Fed does not have policy responsibilities. Although the Fed subordinates itself to the Treasury (and to State) when international negotiations are involved, it has operational responsibilities in international monetary markets and maintains close relations with foreign central banks. Its top officials have strong policy views extending to the full range of economic policy issues. Its Chairman is a major protagonist in economic policy debates, both in public discussion and within the Executive Branch. Therefore, although the Fed is independent from the Executive Branch and from the White House, it might nevertheless fail to achieve a reputation for objectivity where policy decisions turned on analysis. Moreover, its very independence could make it less responsive to the day-to-day needs of White House consumers. And there is the same question raised above as to whether the Fed staff could achieve ready access to intelligence derived from sensitive sources. Finally, it must be recognized that the Fed's staff would have to be considerably broadened, if not necessarily expanded, if it were to take on such a task. Its economic analytical capacities are directed toward financial questions, and it would no doubt have to recruit the area

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

specialists, political analysts and other non-financial experts who are now an integral part of the CIA's analytical team.

6. Conclusion. By way of general conclusion, one can therefore say that each of the options would have certain advantages. But none could necessarily provide an adequate substitute for what we already have. Moreover, these advantages that would flow from upgrading the quality of analytical resources throughout the Government can and should be achieved independently of what happens to the CIA. Again, competition in analysis is a principle that could improve policy decisions. The better each of the analytical staffs is, the more effective will be this competition.

VI. The Consumer Role in Economic Intelligence and Analysis.

Over the past few years the role of the consumer--policy officials who rely on economic intelligence--has gained increasing attention within the Government. So far as departmental analysis is concerned, each department is best able to solve its own organizational problems. The problems faced by INR within the State Department are quite different from those faced by OASIA within the Treasury Department. Generalization is not only difficult but probably not worth the effort here.

The relation of the consumer, particularly the White House consumer, to the intelligence community is a more

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

important question for present purposes. This relation is crucial because economic intelligence is not an end in itself. But the intelligence community is so large and its procedures so specialized that it is quite capable of grinding out a product that no one reads. Without feedback from consumers about the trend of policy interests, the priority of analytical tasks, and the format of publications, the intelligence community cannot do an effective, responsive job.

One solution to this problem was the creation several years ago of the Requirements Advisory Board, a group composed of economic intelligence consumers within the White House, State, Treasury, and Commerce. These consumers, who were just below the top level of policy officials, were chosen for their closeness to the concerns of Cabinet-level officials and their familiarity with the intelligence community. The RAB's significance lay more in the availability of the individuals who composed the Board than in the Board as a collegial body. The Board, as a group, was available for advice on requirements and on priorities, but it was recognized that in the end only intelligence community professionals could draft requirements.

But the existence of a group of relatively high-level consumers who were sensitive to the problems of the intelligence community and who made themselves available for individual consultation was the chief benefit of the RAB. These individual consultations were the primary means by which the all-important feedback to the community on the relevance and utility of its

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

product occurred. It was also the mechanism by which the intelligence community gained early warning as to changes in the direction of top-level economic policy concerns.

Such an intimate relation between consumers and the intelligence community must be constantly recreated, particularly as new officials replace their predecessors, and the RAB is in fact being transmuted into a new organization. But this kind of consumer-producer relationship is crucial to the improvement of economic intelligence, even though it cannot be created by purely organizational measures. For present purposes it is sufficient to recommend that a committee of consumers be maintained to advise the intelligence community on economic intelligence.

VII. Improvements in the Quality of Analysis.

Because of the relative novelty of the interest in economic intelligence analysis, it is perhaps inevitable that habits carried over from the national security sphere should dominate the way in which the intelligence community operates. The penchant for secrecy on the part of that community, coupled with the jealousness of the domestic departments, has tended to prevent a free interchange of information and analytical product between these two spheres of the government. Both have suffered in the process.

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

The fact is that for most questions information derived from intelligence sources is only a small, however important, part of the body of information from which analytical conclusions must be drawn. In these circumstances there is no reason why CIA and departmental analysts should not freely share their research papers and meet regularly to discuss their methodology, their information, and their conclusions. Competition does not imply separateness. On the contrary, just as openness among scientists leads to scientific progress, so openness among analysts improves the quality of everyone's product.

The degree of openness achieved is partly a question of temperament but it is also shaped by departmental and CIA policies. It was not so long ago that some departments refused to make their analytical papers available to the CIA. And the clearance procedure has been known to place unwarranted restrictions on the circulation of CIA publications to departments other than the State Department.

Beyond this freer interchange of work product, some changes in the style of intelligence community papers would improve the comprehensibility and usefulness of that product to policy officials. For example, dissenting views should not be suppressed. If there are two views on a matter among analysts, that very fact is extremely important for policy officials. In military matters it may be essential to have a single agreed view of the military capabilities of a

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

particular country, but economic policy is a different animal. An analysis produced by a committee that papered over its differences to achieve a compromise view is much less useful than a clear expression of two opposed views of a controversial subject. For the same reason, it is frequently useful to allow analysts to make heretical views known to policy officials, so long as the policy officials also know what the majority view is.

However useful a sense of the difference of analytical views may be to policy officials, it is crucial to exchanges between analysts in different agencies. For this reason one of the most welcome innovations is the growing practice of identifying the analyst for the reader so that he can, by picking up the telephone, start a dialogue with the analyst.

Other techniques to improve the quality of interchange can be borrowed from the scientific and university worlds. For example, the use of quantitative methods in Government economic analysis has lagged well behind the private sector. The use of workshops involving quantitative analysts from different agencies may provide a method for improvement. Similarly, exchange and publication of papers on methodology (which is a hallmark of the scholarly world) could improve the quality of analysis within the intelligence community.

Finally, more attention needs to be paid to institutional matters in economic intelligence analysis. Within the national security sphere, the dogma has long been that intelligence

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

should be concerned with capabilities, not intentions, because intentions are essentially undiscoverable. Whatever the utility of that dogma for national security questions, it has little meaning for economic matters. In monetary, trade and resource matters policy officials need to know the intentions of their counterparts in other governments. By learning as much about other governments as the informed journalist knows about the U.S. government, analysts can improve the understanding of policy officials of the views and predispositions of particular agencies and even individuals within foreign governments. It is not enough for a policy official engaged in active negotiations to be told what "Paris thinks" or what the Saudi Arabian position is on a particular issue. Those governments are as complex as our own, and it is the job of analysis to break open that complexity for the benefit of our own policy officials and negotiators.

VIII. Conclusion.

This paper has not been concerned with economic intelligence collection. Rather the attention has been focused on the analytical product. Although a number of options for organizational change were discussed, none appears prima facie preferable to the present organization. Indeed, any change which involved elimination of the CIA's function would run a major risk of dissipating a valuable resource without guaranteeing the development of resources of competing quality.

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2

The road to improved analysis rather lies in closer ties to the consumer of economic intelligence, to greater competition and interchange between analytical staffs, and in an adaptation of the nature of the working methods and of the product of the intelligence community to the special nature of economic issues.

Approved For Release 2003/02/27 : CIA-RDP86B00269R000600030037-2