

25X1A9a

*Appointed to be removed
6 Nov cancelled by
[redacted] because of
his absence*

CIA Progress Report, October 1950 to December 1951
ORR Suggestion on Section II, Historical Summary

During World War II, although thinking about the use of economic intelligence and some experimentation took place, the effort was largely passive and subordinate to US Government operations.

After the war, even this passive interest was allowed to lapse despite the fact that the main issues of our times were primarily preoccupied by economic forces and dominated by the major protagonist of materialism, the Soviet. NSCID 3 dated 13 January 1948 in recognizing dominant interests in intelligence production suffered the continuing subordination and fragmentation of the economic intelligence role by assigning this field to each agency "in accordance with its respective needs".

With the new management came the first recognition that economic intelligence (or rather "economics") has a basic unity and a commonness of interests to all departmental work and, therefore, falls into a role of "common concern" which makes it a duty of CIA to undertake as a primary mission.

The problem remains that economic intelligence has been peremptorily inaugurated, lacking in tradition or form, as compared to a long history of military and political intelligence.

Add to this that the major conditioning cause of the focus on economic behavior and interpretation, the industrial revolution, ~~was~~

while relatively new, is at an unknown point of time in its development or historical cycle.

In point of view of the Soviet problem, literally thirty-three years of secret economic history must be captured overnight. The bits and pieces which have floated around through the business community, through other intelligence roles, through other government processes, must be brought together to focus on national intelligence problems.

5 Nov 51

gave to [redacted] 5/1/51
should be [redacted]
on inclusion

CIA Progress Report—October 1950 to December 1951

ORR Contribution on Section III, Part 2, Coordination

CIA's Role and Responsibility in Coordination

On coordination itself, it is true that the process involves delay. It is also true that specific allocation of work has the benefits of pinpointing responsibilities and simplifying channels. However, a specific allocation does not permit incorporating the essential elements of various points of view. Theoretically, such varying points of view—of the several agencies and working units—could be embodied in one responsible unit. Actually, this is physically and practically impossible. Such a total program of incorporation would be beyond the mission of any one agency, since the program should comprise all the departmental, operational, and national needs.

Coordination is particularly necessary in economic intelligence. While the Department of State has always been predominant in the political field, including political intelligence, and the various services in the Department of Defense likewise in military intelligence, a great number of government agencies have undertaken economic intelligence as a relevant activity. The specific assignment of military and political intelligence on the one hand, and the separation of economic intelligence on the other, was recognized in the earlier National Intelligence Directives.

NSCID 15 places upon CIA the responsibility for coordination as well as production of foreign economic intelligence. ORR has been directed to carry out this responsibility. The production responsibility is dealt with later on in this paper. To carry out the coordination responsibility, ORR has established the Economic Intelligence Committee. This committee,

chairmanned by CIA, embodies not only the pertinent units within the other intelligence departments but also other government agencies whose interests bear on the economic intelligence field. In turn, the EIC is in the process of forming specialized subcommittees such as Agriculture, Chemicals, Transportation, etc., in which all relevant government talents and concerns can be brought to bear on specialized problems. While the primary production responsibility of ORR concerns itself largely with the Soviet Orbit, the coordination seeks to pull together all the valuable work and interests being done on the non-Soviet areas which involve the national security interests. The coordination role also seeks to make the greatest use of departmental work on the Soviet Orbit. While it is very difficult to draw a fine line between those issues which are primarily departmental (particularly concerning the Soviet problem) and those which involve the national security, the guide rule is one of preventing duplication in the main effort while making use of overlap from different agency points of view. The above has been coupled with a stress on informal working level coordination in order to insure a maximum exchange of information and ideas. The particular need for coordination in the economic field is demonstrated by the number of agencies which have already participated in the EIC. This is approximately 20 besides the IAC membership and includes Commerce, ECA, Interior, and Agriculture. Prior to the reorganization of CIA, the role of economic intelligence was so subordinate that coordination in this field was omitted.

To illustrate the part that such coordination is playing in allocation, the EIC is at present carrying on a survey of all the work being done in the United States Government on the Soviet economy with a view to uncovering the most serious gaps and agreeing on how to fill them. In coordinating

major problems embracing all areas, such as the problem posed by NIE-40 now in process, the EIC has been a successful mechanism in bringing together all the pertinent data and analysis on non-Soviet Orbit areas done by other government agencies with the data on the Soviet Orbit primarily produced by ORR. Since the problem itself fundamentally concerns economic capabilities of the Eurasian East and West, this coordination role insures bringing all the best talent to bear on a solution.

CIA Progress Report, October 1950 to December 1951
Section III, Part 4, 1) a and 2) a: OER

The need for OER springs from the newly realized necessity for concentrated economic-intelligence research on problems vital to the national security. OER's role includes both coordinating and service-of-common concern activities in the production of economic intelligence. This office also carries forward two functions inherited from its predecessor, the Office of Reports and Estimates -- coordination of the National Intelligence Survey program and providing centralized geographic and map intelligence.

The necessity for basic economic research became evident following World War II, particularly as a result of such studies of operational success or failure as the strategic bombing survey. Attacks on the bearing target-system, for example, had been preceded rather by studies of its vulnerability as a physical target and the realization of the general importance of bearings to industry, then by drawing an adequate, integrated, economic-intelligence picture dealing with the dynamics of a living economy -- stockpiles, dispersion, substitutes, changing economic requirements, consumption, and the like.

OER's predecessor office took cognizance of economic intelligence in providing a consultant group, primarily as advisors to the area divisions, and a further step was taken in the organization of half the Eastern Europe division into a purely economic branch to follow current

Progress Report, III, 4 - ORR

page 2

economic activity in the Soviet orbit. Only with the advent of ORR, however, was authoritative economic research recognized as the major function of an entire office within the intelligence community. Economic intelligence relating to the national security was made a responsibility of CIA by NSCID 15 in June of 1951. -

The transfer to another office, OCI, of the primary responsibility for current intelligence permitted ORR to shift its focus of attention from the analysis and interpretation of the current flow of intelligence documents to an intensive search for every scrap of information, current or old, in top secret files or in public libraries, abroad or at home, bearing on fundamental economic intelligence problems. In other words, the analyst, freed from the demands of processing the current flow, could address himself to true research, utilizing research techniques, methods, and disciplines. This has meant that ORR could concentrate its energies on trying to find real solutions to a few key problems on which the national security critically depends.

In ORR's concept, economic intelligence serves five purposes in support of policies to preserve the national security: (1) to estimate the magnitude of possible present or future threats to ourselves and our allies; (2) to estimate the character and location of possible present and future threats; (3) to assist in estimating the intentions of the potential enemy; (4) to assist the policy-maker in deciding what can be

Progress Report, III, 4 - ORR

page 3

done to reduce the possible threat by seizing on or creating economic vulnerabilities; and (5) to assist in estimating the possible development of the East and the West over a period of years under the assumption that war does not occur during that interval.

ORR determined to concentrate first on the economy of the Soviet Union and those of its satellites, both in view of the CIA responsibility for "foreign economic intelligence relating to the national security" in the present crisis, and because in this sphere the economic approach seemed to offer its greatest advantages.

In the first place, the militant materialism of the Soviet planned economy in its very movement from political decision to total and minute planned implementation cannot help but radiate factual economic evidence reflective of the political decisions. Secondly, the basic unity of industrial processes and economic relationships throughout the world provides a basis for interpolation and extrapolation. The skilled engineer and the competent economist, thoroughly posted the one in US technical processes and the other in basic research tools, should find it easier to build on the fragmentary and sometimes scanty information available than would their counterparts in the political and military fields.

Both the fragmentary nature and the uncolated state of current information and the lack of basic earlier investigations have influenced

Progress Report, III, 4 - ORR

page 4

ORR's method of approach to Soviet economic intelligence -- that of successive approximations. Current demands on ORR for intelligence support make it impossible steadfastly to remedy the sins of omission of the last thirty-three years and recover the basic data of Soviet economic history in an atmosphere of authoritative research. Therefore the ORR program must reach interim conclusions in successive waves, each narrowing the outer limits of maxima and minima of Soviet capabilities; it must constantly repeat a cycle of review and examination of information that is available, selection of points of greatest weakness, concentration of production on these points, then re-review and reexamination to determine whether emphasis should be shifted. Such a program, though possibly in some respects less than ideal, will contribute eventually to a sound economic basis under political and military intelligence factors; considerable progress has already been made in this direction.

The first six months of 1951 were spent in making as thorough an inventory as was possible of what CIA knew about the Soviet economy. The primary emphasis, however, was in exposing what was not known, and what ORR considered should be known, about Soviet economic capabilities. This exercise, while pooling much information which existed heretofore in the minds or files of analysts in fragmentary form, was most enlightening on the grave deficiencies brought to light for the first time in an orderly

Progress Report, III, 4 - ORR

page 5

fashion. Signal contribution was made in the petroleum field on more precisely approximating for the first time the Soviet economy's requirements for petroleum products and the availability of aviation fuel. In the electronics field, the assembly and analysis of all known data authoritatively confirmed the previous intelligence hunch of the Soviet economy's relative weakness on this score. In all the various economic sectors, however, gaps were found, of varying degrees of seriousness, down to a complete deficiency of information in the vital field of construction (biggest single consumer of steel and labor in the US economy), and an almost total deficiency in information concerning the mechanical-engineering industries supporting munitions production. A clear priority program for filling these gaps is not yet established, but by making an attack on a broad front by the method of successive approximations, it should be possible within the next year to narrow the field for definitive study, particularly in conjunction with the work of the Economic Intelligence Committee.


This committee has been more fully treated in Section III, Part 2, Coordination, of this report. In brief, pending completion of its organization, this committee has acted on interim arrangements for pooling information and work in support of national intelligence estimates, has proven itself already a very useful instrument in securing within the intelligence community an agreed approach on specific intelligence problems, both of production and of requirements for information.

Progress Report, III, 4 - ORR

page 6

ORR also has a responsibility for coordinating research done outside the government on matters of interest to the intelligence community. There has not yet been time to develop an extensive program for systematically tapping the knowledge and talent available in universities and private research institutes, but a start has been made with a pilot project

25X1A5a1

 The central purpose of this project is to bridge the gap between the knowledge of Soviet society acquired by scholars and the requirements of operating officials for guidance in exploiting the cold war vulnerabilities of the Soviets. New techniques for focussing academic understanding on operating problems are being developed.

The National Intelligence Survey program, established by NSCID 3 in early 1948 and taken over by ORR from its predecessor office as an already well-developed activity, involves both the coordinating function, in planning and directing a complex interagency program for the collection, production, and maintenance of basic intelligence, and also the exercise of extensive CIA editorial and review responsibilities. Progress has been made in the establishment of permanent staffs in the contributing agencies, the augmentation of collection capabilities and the general improvement in the effectiveness of interagency coordination. It has not as yet been possible, however, due to factors beyond the control of ORR or the Agency, to exact fulfillment of production schedules. The

Progress Report, III, 4 - ORR

page 7

outbreak of the Korean war caused almost total stoppage of NIS production by the agencies of the National Military Establishment and considerable reduction by State; only fifty percent of production goals for fiscal 1951 were met. Current production also is running considerably behind the fiscal 1952 schedule. It is possible that the solution may lie in CIA financial support of units in Defense agencies, such as is now provided for State and for some other contributors, to provide stability of capabilities in these agencies that will ensure continuity of balanced NIS production in conformity with scheduled commitments.

The Geographic Division, ORR, was a well-developed service of common concern when transferred to ORR's predecessor office from the Department of State late in 1947. It has continued to maintain an extensive map library reference service on a current basis and to produce geographic and map intelligence of common concern to the intelligence agencies. Support activities, in addition to preparation of a large variety of base maps needed for research, planning, and presentation programs, include providing "locational" intelligence, such as that needed for surveys of vulnerability of strategic foreign installations. An important current project is the analysis of Soviet capabilities in the fields of mapping, aerial photography, and geodesy. Geographic Division enters into the coordinating role with responsibility for Chapter IX, Map and Chart Intelligence of the NIS program, and with the coordination of requirements for the collection of maps and mapping information on foreign areas from both foreign and domestic sources. Recent additions to the Division's

Progress Report, III, 4 - ORR

page 8

responsibilities have been that for furnishing graphic support to various parts of CIA and that for conducting an augmented geographic research and cartographic effort in support of CIA operational planning and field activity.

Because of the practical limit of hiring personnel for all specialized fields and the great need for drawing on the full US resources for the best possible judgments, ORR is engaged in an extensive program of utilizing consultants from outside the Government -- including both business and industrial specialists and academic authorities -- both for its own benefit and that of opposite number agencies. A consultant panel on aircraft, 12-16 November 1951, enjoyed also full participation by Air Force Intelligence. Such consultants have been most willing to serve, and it is anticipated that ORR will in future be able to make even greater use of their generous help.

Throughout the year much of ORR's time has been spent in support of a great variety of operations -- such as export-control under interdepartmental auspices and, within the agency, the activities of the offices of Current Intelligence, Policy Control, and National Estimates. From an initial beginning of providing no support for the Office of National Estimates, ORR has come to providing some -- in some cases the bulk -- of the support for almost all the national estimates. In addition, ORR has provided basic data and assumed leadership in discussions on economic

25X1X7 matters in international intelligence conferences

25X1X7

Support activities such as this paragraph

Progress Report, III, 4 - ORR

page 9

lists, however worthy and important the ends that they have served, have of course been carried on at the expense of time that would otherwise have been devoted to basic research.

The problems that ORR considers of sufficient moment to present in an Agency report of this nature are detailed in the appropriate section and part (IV, 7). They are therefore here merely listed, to complete the picture of ORR in the processing of intelligence. First in seriousness is probably that of the organization of existing but scattered information in such form that it can be reached and used by the intelligence analysts; second is placed the problem of need for access to operational knowledge, which plagues other parts of the agency as well as ORR; the third problem also is not peculiar to ORR, though bearing with particular force on this office -- that of the need for speedier security and other administrative action on incoming personnel and for some reasonable method of utilizing unclearable individuals; the final problem is the need for more direct contact between the ORR analysts and the field collection facilities, which is peculiarly important in economic intelligence.

CIA Progress Report, October 1950 to December 1951
Section IV, 7, Specific Problems of the separate offices
OER Problem 1, Organization of existing information

The identifying of relevant information and its organization into usable form is probably the first "housekeeping" problem in any intelligence field. While this problem in Soviet economic intelligence is intensified by the variety of contexts in which bits of information occur, the wide separation of these bits in time and place, and their very number, it is also true that the peculiar complexity and interrelationship of economic factors — for example, the series of coal to iron ore to steel to guns — offer hope for fruitful solution of this priority problem.

A modern economy cannot function without peeling off fragments of evidence of a most positive, concrete nature, which, regardless of the precautions taken by the operators of that economy, cannot fail to give, if only the fragments can be identified and arranged, an accurate picture of the economy in operation. The difficulty lies in finding all the fragments, and, even more, in putting them together in proper cross-referenced form so as to summon up the original context of activity and account for the missing gaps.

The American gift for mechanization in licking its problems of organization has been woefully lacking in efforts to tackle the crucial problems of intelligence on a sufficient scale. Economic-intelligence processors are not in a position to lay out their precise requirements for field collection when they cannot appraise the information already existing in US Government files and other repositories. This body of

Progress Report IV, 7: ORR Problem 1

page 2

information exists in tens of millions of documents, classified and unclassified. Significantly large volumes of books on the Soviet economy, in the original Russian, remain unexploited and unreferenceable; millions of reports reflecting economic evidence in classified material within the intelligence community are not readily accessible. The present lack of facilities for "capturing" these materials means that it is impossible to bring together in focus all the elements bearing on any single problem, to say nothing of the Soviet economy as a whole.

ORR and the economic intelligence community as a whole need much broader support from "housekeeping" facilities. American organizational genius must be specifically directed toward final location, abstracting, cataloguing, cross-referencing, and generally making available the vast amount of existing information on the economy of the Soviet area. While something is being done now, those responsible need greater administrative support and an enlarged charter if they are to proceed properly.

CIA Progress Report, October 1950 to December 1951
Section IV, 7, Specific problems of the separate offices
ORR Problem 2, Necessity for operational knowledge

Types of operational knowledge at present largely withheld from ORR are required for two specific purposes: watching for developments in the USSR analogous to those which have already taken place in the US; and estimating Soviet capabilities and vulnerabilities more accurately.

Modern economics is, in reality, a large number of specialized subjects, complicated by continuous revolutionary technical changes. Theoretically, every required type of specialized knowledgeability would be present in personnel within the ideal central intelligence agency or at least in the government intelligence community. The pace of change in technical developments, however, is so rapid, and so increasingly comes under the security wraps of US operations and counter-measures, that it is difficult for the knowledgeable agency analyst to know what to look for in the foreign field without the parallel knowledge of domestic activity.

Because military development embraces specialized economic developments, important domestic data are put outside of the ken of the economic intelligence analyst. These developments have sometimes revolutionary significance in terms of the use of new materials or different processes. The economic analyst is severely handicapped in knowing what to look for in the foreign field unless he knows about these domestic developments. At present, however, many domestic developments are classified

Progress Report, IV, 7, ORR Problem 2

Page 2

in such fashion that the intelligence specialist has no access to them and is thereby precluded from intelligent inquiry in the parallel foreign field.

An example of these restrictive practices is the background of ORR's recent receipt of a request for information about Soviet production of optol (catechol). Normal domestic production of this item (75 tons a year) is of minor significance among literally tens of thousands of chemical products turned out. It is not physically possible to cover all chemical items, and therefore priority attention must be given those items known to be of the most importance. In this case, through indirect and somewhat indiscreet sources, it was learned that optol is of paramount importance in certain new US weapons production, and may be a key to determining the extent of similar Soviet production. It will be necessary, however, because the evidence of such Soviet production is bound to be fragmentary and indirect, to have more quantitative and qualitative data from the military's operational units before appropriate requirements can be set and coverage arranged.

Another aspect of the security separation by the military of domestic planning and operational information from the intelligence function is that it seriously blocks the effort intelligence-wise of defining Soviet vulnerabilities and capabilities.

Progress Report IV, 7, ORR Problem 2

Page 3

ORR's exploration of Soviet strengths and weaknesses presupposes a knowledge of domestic strength, including weapons, which would provide a natural or unquestionable advantage over any given Soviet condition. Unless this domestic strength is known, the condition of Soviet vulnerability cannot be recognized.

The history of Soviet atomic development is an excellent case in point. Had the intelligence community known the economic factors necessary in any one of several fields for the production of atomic energy, it would have been relatively easy to estimate the dependence of the USSR on the US for realization of its own production. In the field of machine tools alone, it would have been possible to act upon the vulnerability of the USSR in this respect by withholding those unique tools and instruments the Soviet found it had to purchase on the US market to build the USSR atomic energy plant, or even to effect covert measures which would have mislead the USSR into undertaking wasteful processes at the sacrifice of other economic goals.

Again, the present US weapons strength, while it remains unknown to the intelligence community makes it impossible to accurately estimate the extent of Soviet industrial vulnerability to Western war measures, or to even define the context of Soviet vulnerability, as it relates to factors of decentralization, stockpiling, recuperability, etc. All of these factors and others only have significance when related to the magnitude of effect of US planned operations.

Progress Report, IV, 7, ORR Problem 2

Page 4

There are undoubtedly from the military point of view what seem to them good reasons for the restrictions imposed; against these reasons, however, the serious disadvantages to intelligence knowledge and consequently to the national security interest must be weighed. The above-cited examples are not unique and only serve to emphasize the unity of the modern war and the modern economy. Up to the present time much of such needed data on domestic military development has been refused ORR by the military departments.

CIA Progress Report, October 1950 to December 1951
Section IV, 7, Specific problems of the separate offices
ORR Problem 3, Security, recruitment, and utilization of special skills

Competent personnel representing the many different academic disciplines and technical backgrounds necessary for the examination of economic intelligence will always be a major problem. The present necessity for security screening, and the results thereof, have deprived ORR of some of the best talent available in the country today as well as imposing long delay on the processing of those who do join the office.

The long processing involved in the case of those who eventually are cleared has had serious effects on ORR efficiency. The delay in screening for one person has meant that it was impossible to draw on other resources until security decisions were made. This, in turn, has reflected adversely both on the substantive work and programming, and on discussions on an administrative and budgetary level. These added difficulties of administration and recruiting have made inroads on the time of key personnel and have involved therefore sacrifices in substantive progress.

It should be possible to arrange a different type of clearance or to establish procedures for utilizing unclearable personnel. The number of people knowledgeable in the Soviet field is extremely limited; some cannot be fully cleared, and many of the most useful cannot be even partially cleared. Some way must be found whereby ORR can draw on this pool of talent as needed. The US intelligence community has no such

Progress Report, IV, 7, ORR Problem 3

Page 2

richness of means in the present struggle as to be able to let any important segment of them be unutilized.

CIA Progress Report, October 1950 to December 1951
Section IV, 7, Specific problems of the separate offices
ORR Problem 4, Contact between ORR analysts and field collection facilities

Although some progress has been made on the problem of bringing the field collection mission closer to the research objectives, much remains to be done.

The essence of the problem is that in the past security requirements imposed by the information — collectors' to protect their sources have tended to prevent the analyst from giving proper guidance for source exploitation, and also prevented the analyst from knowing about the limitations of the collection facilities.

In the former case, the intervening numbers of people in the communication circuit has caused a breakdown in the proper understanding by the source of what information was wanted by the analyst, and the understanding by the analyst of what the source had to offer. This again is a problem particularly acute in the economic field, where technical specialization plays such a large part, and it is necessary for brothers of the same international technical fraternity to be relatively close together in understanding before a subject can be discussed with any firm results.

In the latter case, because of security, the analyst has not had adequate knowledge of the general limitations and peculiar problems of field collection. As a result, the analyst has overloaded the collection apparatus and spread broadcast requirements ill-suited to the collection facility, with a resulting mutual frustration and lack of results.

Progress Report, IV, 7, ORR Problem 4

Page 2

25X1X4 During the past year more direct contact has been established with SO, OO, and with the foreign service reporting facilities in the State Department. [REDACTED] an initial ORR participation in the field of collection by two field representatives has been undertaken with a view to giving more intensive guidance on the collection of economic information there.

 In the resolution of the main problem, the effort in [REDACTED] area can only be considered a very small first step. ORR must intensify its direct field guidance in other areas.

25X1X4

CIA Progress Report—October 1950 - December 1951

ORR Suggestions on Section I, Intelligence and the National Policy Structure

A. Responsibility of the Intelligence Process toward the Democratic State

The Soviet problem imposes a particularly important and peculiar responsibility on the intelligence process within the context of the democratic state. Two conditions make this responsibility a thing different and apart from historical circumstances of the past: first, the opposition between the fundamental assumption that a working democracy must have free communication and the fact that the USSR, more than any other state in modern times, has denied this assumption within its own territories and particularly in relation to other states; second, the strain imposed on the communications process by the increasing plethora of ideas and specialized information.

The first condition means that all information flowing from the Soviets is classified in one form or another, and therefore passes over to a very restricted democratic-state group of users, since the very classification by the Soviets forces a classification and restriction within a democracy. In turn, counter-measures undertaken by a democracy must be equally classified and restricted. Such a condition raises the moot question as to how public sentiment—traditionally the driving force behind government action in the United States—can be formed, and, alternatively, as to how an uninformed public can act in such a vacuum. Inasmuch as the problem of checks and balances within the small group receiving information through classified channels is a serious one, a tremendous responsibility is placed on the relatively few people who must react in reporting this data within the democratic tradition.

This basic problem is magnified by the second condition—the tremendous amount of new information to be passed through the communications system. Technology and specialization in many fields are superimposed on the normal communication process already burdened by considerations of security and for the speed of reporting. A corollary fact is the physical impossibility for all the relevant specialties to be encompassed by the necessarily limited number of personnel in this narrow intelligence-communications channel. There must therefore be a compromise between the demands of security for limiting the number of individuals with access to the intelligence channel and the demands of interpretation for bringing all specialized talents to bear on a relevant problem.

One feasible solution seems to be the bringing in of leadership in all fields—both technological and political—under the security tent, in an atmosphere of freedom of examination and one in which the normal checks and balances will continue to exist.

B. Importance of Economic Intelligence in the National Policy Structure

The essential role of policy-making is to meet present or anticipated problems by forward planning; its role therefore is for future-action guidance. It is axiomatic that policy must be based on all present known factors and all probable future factors. The intelligence process participates in both of these locations in time. The intelligence product itself, however, must be created before the policy is formulated, and therefore must be dominated by a sense of future pertinency the factor of security classifications in the intelligence process signifies that an attempt has been made to include all known data or factors, regardless of the foreign

intent to withhold such data and regardless of the effect that such factors may have on the domestic policy making.

Compared with the several other fields (or disciplines) which constitute all the catalogued areas for determining policy (political, military, scientific, sociological, etc.), the new field of economics by its nature lends itself to a more precise use in forecasting. This means that because of the dynamic interrelationship of economic factors the economic field has a deterministic character—its shadow falls in front of it. Troops may be shifted around, notes may be exchanged among ambassadors, ultimata or propaganda theses may be changed overnight; but a steel mill cannot be moved in such a short time and an industry's production course can be changed only gradually by political decisions made months before. The decisions revolving around guns or butter reflect themselves in all the facets of an economy—particularly in the planned economy.

In a democracy, and particularly in traditional United States policy-making, the key policy reaction has been initiated by an external threat. Although political or military intelligence may indicate the existence of a threat, it is primarily the role of economic intelligence to measure the magnitude, or outer limits, of the threat. This means that economic intelligence must be the basis for estimating the threat as real, potential, or pure bluff. With the adequate use of precise economic intelligence, it is then possible to formulate a more adequate and effective policy. In other words, the more adequate economic intelligence is, the more accurately we can measure the magnitude of the threat and set the precise extent of the necessary counter-measures.

Security Information

CIA Progress Report, Oct 1950 to Dec 1951

Section IV, 7, Specific problems of the separate offices

ORR Problem 4, Compartmentalization of Information

The security compartmentalization that exists in the intelligence community poses ² a problem connected with, but of a different type from, that of the organization of existing information (Problem 1). Because of the nature of economic-intelligence ~~information~~ evidence (its interrelationships and the fundamental determinism of economic processes), it is vital that the flow of information on the Soviet sphere should not be forced into the parallel channels unfortunately characteristic of classified information but should be melded at all levels. Each fragment of evidence has many different uses. The daily output of a coal mine can reflect, when related with other known factors, trends in power production, or quantity and volume of steel, or failure adequately to use capital goods such as coal-mining machinery, or lack of timber for pit props, or productivity of labor. Such a piece of evidence may in turn be of both short-term and long-term significance. The ~~lack~~ ^{receipt} of one short prisoner-of-war report on the number of converters observed in a chemical factory can significantly change an estimate on the Soviet chemical-industry output and ~~possib~~ ^{possibilities} and capabilities, and possibly on the total Soviet ~~simultaneous~~ capability to support a war. Proprietary interest, no matter what jurisdictional limits may have been defined, must be over-ridde~~d~~ if a successful exploitation of economic intelligence is to be made. With a reasonable certainty that he possesses all the information that is available, the analyst sometimes is justified in finding the lack of information of equal significances with its presence.

PROBLEM OF COMPARTMENTALIZATION OF INFORMATION

problem
While the housekeeping problem is fundamental to the entire economic intelligence process, the security compartmentalization which exists poses *in the intell. core* a problem *a problem connected with, but of a different type of problem. Because of the nature of economic intelligence evidence (its inter-relationships and the fundamental determinism of industrial processes) and the relative seariness of information on the Soviet, it is vital that the flow of information should not be forced into parallel channels but should be melded at all levels. Each fragment of evidence has many different uses. The daily output of a coal mine, when related with other given factors, can reflect trends in power production, or quality and volume of steel, failure to adequately use capital goods such as coal mining machinery, lack of timber for pit props, or productivity of labor. In turn such a piece of evidence may be both of short-term and long-term significance. The case of one small prisoner-of-war report on the number of converters observed in a chemical factory can significantly change an estimate on the Soviet chemical industry output, capabilities, and possibly the total Soviet capability to support a war. Proprietary interest, no matter what jurisdictional limits may have been defined, must be over-ridden if a successful exploitation of economic intelligence is to be made. Given all the information that is available, the lack of information may be equally significant as*

unfortunately characteristic of classified information
evidence (its inter-relationships and the fundamental determinism of industrial processes) and the relative seariness of information on the Soviet, it is vital that the flow of information should not be forced into parallel channels but should be melded at all levels. Each fragment of evidence has many different uses. The daily output of a coal mine, when related with other given factors, can reflect trends in power production, or quality and volume of steel, failure to adequately use capital goods such as coal mining machinery, lack of timber for pit props, or productivity of labor. In turn such a piece of evidence may be both of short-term and long-term significance. The case of one small prisoner-of-war report on the number of converters observed in a chemical factory can significantly change an estimate on the Soviet chemical industry output, capabilities, and possibly the total Soviet capability to support a war. Proprietary interest, no matter what jurisdictional limits may have been defined, must be over-ridden if a successful exploitation of economic intelligence is to be made. Given all the information that is available, the lack of information may be equally significant as *with its presence.*

see annex for

elaboration.

Could we be more concrete? This seems a little vague & slender