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RESUME OF BUDGETARY ANALYSIS OF INTELLIGENCE PROGRAMS PLANNED BY THE STAFF OF THE BUREAU OF THE BUDGET

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As Presented by Mr. Robert Macy, Chief,
International Division, Bureau of the Budget,
Before the Intelligence Advisory Committee
Tuesday, November 17, 1953

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Introduction

Members of the executive branch who are outside the intelligence community have been impressed with the continuing high degree of cooperation among the agencies represented here. Those of us who work on the National Security Council Planning Board are benefitting directly from the improved national estimates program. We also have seen evidence that some of the major so-called intelligence gaps are being identified and filled on an interagency basis, that duplication is being reduced, and, further, that refined priorities are in effect throughout the community.

Mr. Dodge, Director of the Budget Bureau, who has shown a keen interest in your activities, believes that it is now important that he and the President look at the total intelligence effort of the Government. To our knowledge this has not been possible before. The status report to the National Security Council has not provided the President with an overall fiscal perspective of intelligence activities. Staff of the Bureau of the Budget are undertaking an initial budgetary analysis which will provide the President and Mr. Dodge with a basis for making program and budgetary decisions, and which will, in Mr.

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Dodge's view, be a desirable addition to the continuing critical self-analysis undertaken by the community.

We have ample indication, apparent particularly during the committee hearings last spring, that Congress desires assurance that Government-wide intelligence activities are being given adequate screening within the executive branch. Until now Bureau officials have been unable to discuss in detail the relationship of one agency's activities to another, or to disclaim satisfactorily any gross duplication which might be implied. It seems desirable that the executive branch fulfill its responsibility before Congress finds it necessary to attempt such a review independently. In view of the above considerations involving both the President and the Congress, the more specific objectives which I will outline next are of some urgency.

Before I go on to that, I would like to make it perfectly clear at this point that the analysis the Budget Bureau is undertaking will deal in "lump sums" and broad categories and will not get into any detail of operations which remotely might jeopardize the protection of sources of intelligence or current substantive evaluations. Further, the interagency summation which will be the immediate product of the review and the component agency figures will be made available outside the Budget Bureau only if and to the extent that it may be agreed by the agencies represented around this table. It is fully recognized that certain intelligence activities are far more sensitive than others.

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Objectives of Review

1. To determine the present magnitude of the total intelligence effort of the Government.

In this period of prolonged cold war, intelligence activities loom in security importance alongside the Nation's armament effort, mutual security program, and atomic energy developments. It is essential that the President, and the Director in advising him, be able to consider the proportions of our national resources being devoted to each major security program.

It is not at all unusual for the executive branch or the Congress to review as a single program related activities carried on by several agencies. A notable example is the research and development program. The Congress also demanded last year that the overseas information activities and budget requests of four agencies be reviewed in summary form. In another case, the mutual security program, Congress has seen fit to provide a package of appropriations for foreign aid activities carried on by fifteen to twenty separate agencies of the Government.

2. To determine the present Government-wide distribution of intelligence resources.

This portion of the review, which will be a necessary by-product of objective No. 1, should reveal the comparative emphasis on different kinds of intelligence activities. For example, it should highlight

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(1) the overall effort devoted to basic intelligence or national estimates; (2) the reliance on particular agencies for differing community-wide functions; and (3) the relation between the money being spent on acquisition of raw information and on processing such information into useful intelligence.

We understand that the present distribution of resources has been partially the product of agency needs and more recently of broader considerations resulting from the efforts of this committee. It now seems wise to examine this allocation of resources to insure that we are buying the most effective overall program with our intelligence dollars.

3. To identify any remaining areas of duplication.

Although we know that your interagency machinery has made great progress in this respect, continuing surveillance by all concerned is essential under the current budgetary situation. It is particularly necessary that we all be able to assure Congress more convincingly than in the past that any unwarranted overlap which remains is being eliminated.

Method of Review

The fulfillment of the above objectives is essentially a responsibility of the Bureau of the Budget. We expect to review more closely the budgets of the agencies in the intelligence community than we have before. As a more immediate step, we plan a summary budgetary analysis involving CIA and the State and Defense

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Departments, and perhaps other agencies having substantial intelligence activity. We are impressed with the need for technical guidance and would appreciate your assistance to make this analysis as useful as possible. I have no preconceived notions about the specific process by which you might aid us, but those ways which already have occurred to us are apparent in the steps outlined below.

1. Location of Government intelligence work and identification of the sources of related funds. Some intelligence activities are assigned to agency bureaus and staffs which apparently are quite remote from the regular intelligence function. Sometimes intelligence activities are financed from a variety of appropriations made available to an agency. In order to assure that our summary data truly satisfies objective No. 1, we would hope to have your assistance in identifying those positions and dollars which properly should be included.

2. Development of a classification system to identify the most significant types of intelligence activity. Such categories admittedly may have to be arbitrarily defined. Bureau staff working alone, however, would not be able to establish a classification scheme most meaningful to you or most useful for our purposes. It might be that the IAC will wish to initiate the development of a draft functional classification system which would be available, without any formal IAC endorsement, for our joint review with your staffs in two or three weeks. If not, we hope that you would designate at an early

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date experienced intelligence analysts from each agency to work with us on a category breakdown.

3. Assignment of data to these categories. With the classification system in hand, Bureau staff would hope to work with fiscal and intelligence analysts of each agency in turn to distribute that agency's positions and funds among the selected categories. Preferably someone from each agency involved should be designated to serve as a liaison point with the budget office to obtain the necessary data.

It is our thought that a distribution of fiscal year 1953 information would be the easiest, although it may be possible to make reasonable estimates for 1954. We are fully aware that many allocations will have to be arbitrary, but believe that even "rough cuts" will be helpful.

4. Summation of data. This will be done by Budget Bureau staff.

Use of Results of the Review

In satisfying the objectives set forth, it is believed that the results of this analysis might be useful:

1. For the Budget Director and the President for overall judgment. The Director also should find the results useful in giving informed and reassuring answers to any informal congressional inquiries that may be addressed to him during each session.

2. For Budget Bureau staff as basis for more meaningful review of intelligence portions of all the IAC agency budget requests in future years.

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3. For possible use by IAC or its member agencies, but only as might be fully agreed:

a. In explaining to the Congress, in connection with future budgets, the fiscal issues confronting the community; or

b. In providing the NSC with fiscal data for its semi-annual status reports.

Timing of Review

Although the need for this review has been apparent for some time, the pressures of the current budget season have forced us to delay its initiation. We envision an effort which may extend from the middle of December of this year to the middle of March, 1954.

Conclusion

I trust that it is now apparent why I have taken the time to outline for you this step the Bureau is taking. We will value any assistance you may be able to render, and we welcome any other suggestions you may have which would minimize the labor involved and/or improve the validity of the end product. I do believe quite strongly that this step will redound not only to the benefit of the President and his Executive Office but to the entire intelligence community as well.

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