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FROM : Trade and Finance Branch

SUBJECT: [REDACTED] 25X1A9a
Letter to Congressman Horan Regarding Soviet Ruble
Revaluation and Internal Prices

1. CIA has followed Soviet price and monetary developments very seriously and is considering the results of these developments in their relations to Soviet internal and external economy.

2. However, the problem suggested by [REDACTED] cannot be solved by mere redeemability of paper currency or bank credits or government deficit in the United States. 25X1A9a

3. It is true that there have been several retail price reductions in the Soviet Union since 1947. The consumer prices, however, still remain far above 1940 levels and the current consumer prices in the US. Nevertheless, the Soviet Union has been successful in stopping postwar price inflation, which, however, has no relationship to the revalued ruble in terms of gold. Furthermore, the Soviet Union can manipulate the commodity prices as it wishes for the simple reason that the Politburo does not have to meet demands of pressure groups from organized labor, organized farmers, or organized consumers. In this respect, the Soviet Union is not concerned with parity prices for farmers, with cost of living index wages for workers, or with special favoritism to various segments of the electorate.

4. There is no question that all democratic and free nations are involved in the battle against inflation, which requires various economic and financial measures in order to meet it successfully; and as stated above, it cannot be solved alone through currency redeemability in gold.

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