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17 January 1956

Original

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MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: Proposed External Research Project on the East German Price Structure

REFERENCE: Cable from [redacted] 30 November 1955 25X1A6a

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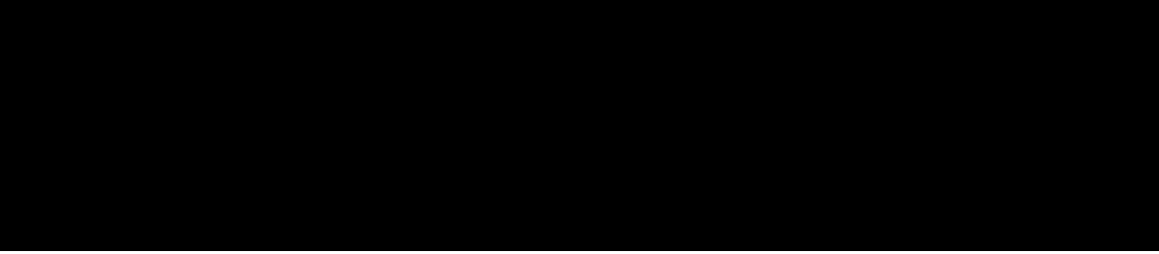
1. Problem

To obtain base figures for the conversion of estimates of the Gross National Product (GNP) of East Germany to dollars.

2. Facts Bearing on the Problem

- a. One approach to estimating economic capabilities of foreign countries is the measurement of their GNP in comparable units (dollars). Official exchange rates have been demonstrated to be misleading. In order to convert GNP estimates in domestic currency to dollars, it is necessary to obtain an extensive sample of domestic prices of goods and services.
- b. There are known to be available in West Germany competent German economists, with an intimate knowledge of area conditions, who are unclearable, and who have not only access to a considerable amount of overt price data on East Germany, but also can have direct access to East Germans for evaluating and interpreting these data. 25X1A5a1

Document No. [redacted]
 No Change in Class.
 Declassified
 Class. Changed To: TS S (C)
 Auth: HR 70-2
 Date: 18 SEP 1978
 By: [redacted]



3. Discussion

- a. As a result of the inability of ORR to obtain the necessary talents to exploit the data required to provide true base figures which could be used effectively in estimating GNP of East Germany, it has been necessary to consider the possibility of external research. One such external research contract is already in progress at [redacted] utilizing the services of German-born economists who are not clearable for classified research.

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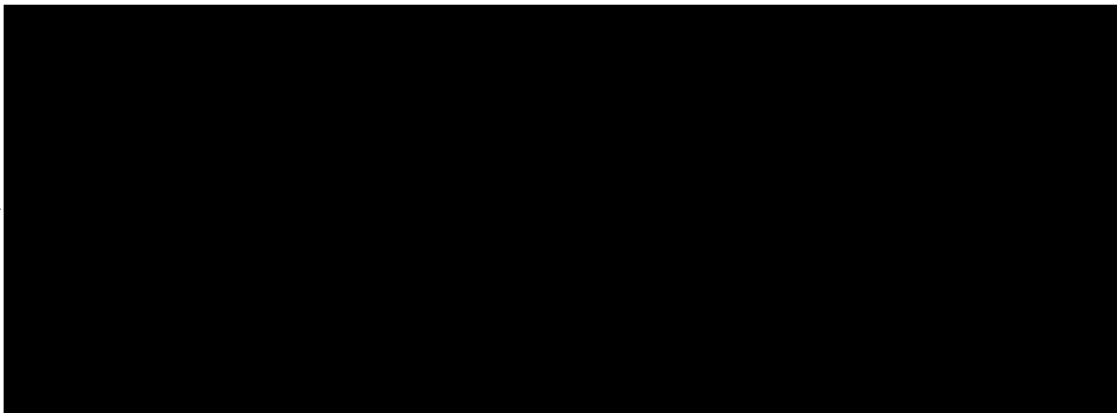
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- b. The [redacted] Project under [redacted] is directed toward estimating East German GNP and its rate of growth in deutsche-marks. The [redacted] effort, however, is not directed toward obtaining sufficient price data for converting East German GNP to dollars.

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c.



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d.

[redacted] has informally advised that it will take approximately three months to complete the work as required by ORR at a cost of [redacted]

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e.

The data required and the project itself would be unclassified. The results of this project would be made available to [redacted] for use in its project on East Germany. It is also hoped that [redacted] will openly publish the results of its research as a stimulus to further research on East Germany [redacted]

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f.

No clearances of the staff of the contractor would be required. Liaison and monitoring of the project would be effected by Strategic Division under cover. Agency connection with the project would not be revealed.

4. Conclusion

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The ORR requirement for prices to be used in converting GNP of East Germany to dollars can best be met through a project undertaken by the [redacted]. The proposed cost is very modest in terms of the data that would be obtained from the project.

5. Action Recommended

a.

That an external research project be approved for the purpose of compiling a specified sample list of approximately 250 prices of goods and services (using 1954 as the base year) in East Germany with detailed specifications of goods and services.

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- b. That funds in the amount of [redacted] be provided for this project through the use of DD/I funds currently allotted to [redacted] or by transfer of ORR funds.

[redacted]

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OTTO E. GUTHE
Assistant Director
Research and Reports

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APPROVED:

[redacted]

DD/I

27 Jan

Date

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* To be funded from 6-3130-55-168

[redacted]

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