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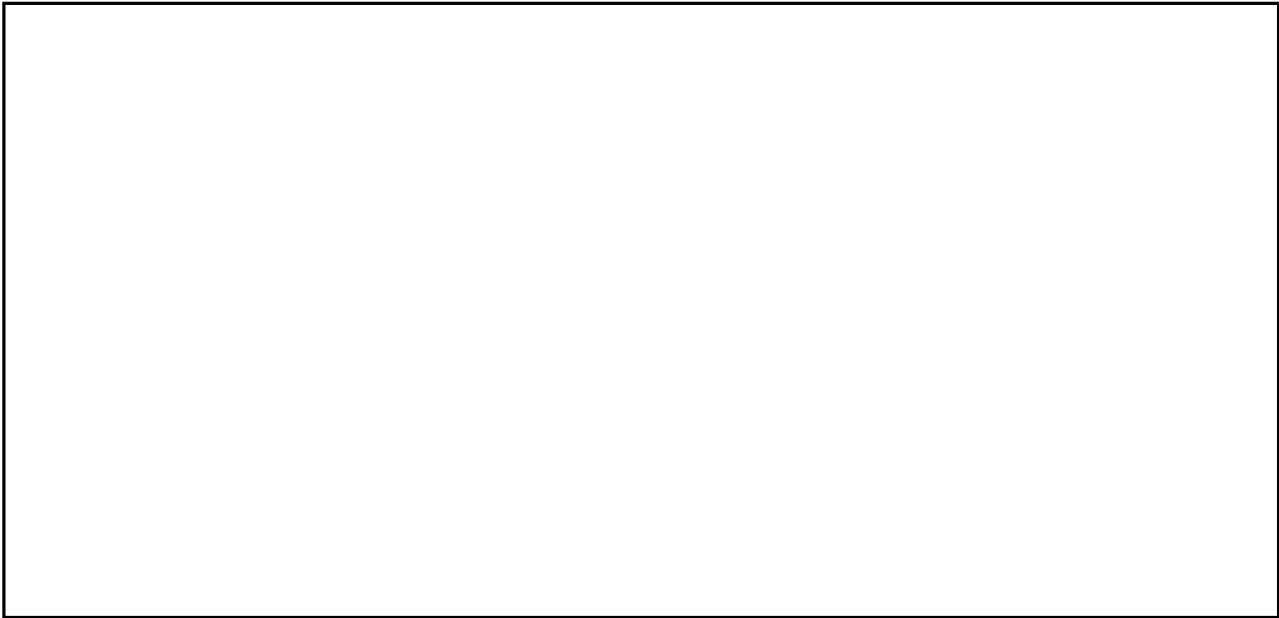
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12 JAN 1970

MEMORANDUM FOR: Deputy Director for Intelligence *RPS*
SUBJECT : Report on the Office of Economic Research
for 1969

1. This memorandum is a brief summary of OER highlights for calendar year 1969. Comparative data for earlier years are included where they assist in interpreting results.

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3. Current Intelligence Support to OCI

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[redacted] tells me the Bulletin is now 11 percent an OER product. Our current intelligence output seems more responsive, in part a reflection of the first full year of a current intelligence production officer. Ad hoc support to OCI was down somewhat, largely a reflection of the fact that there was only one major crisis -- the Sino-Soviet border dispute. [redacted]

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[redacted] improved the content of OCI published material on the subject. The exchange of views, exploration of analysts' "gut feelings," the determination of factors leading to individual conclusions of all members was laid bare and influenced the final analytical writing.

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4. OER Intelligence Production

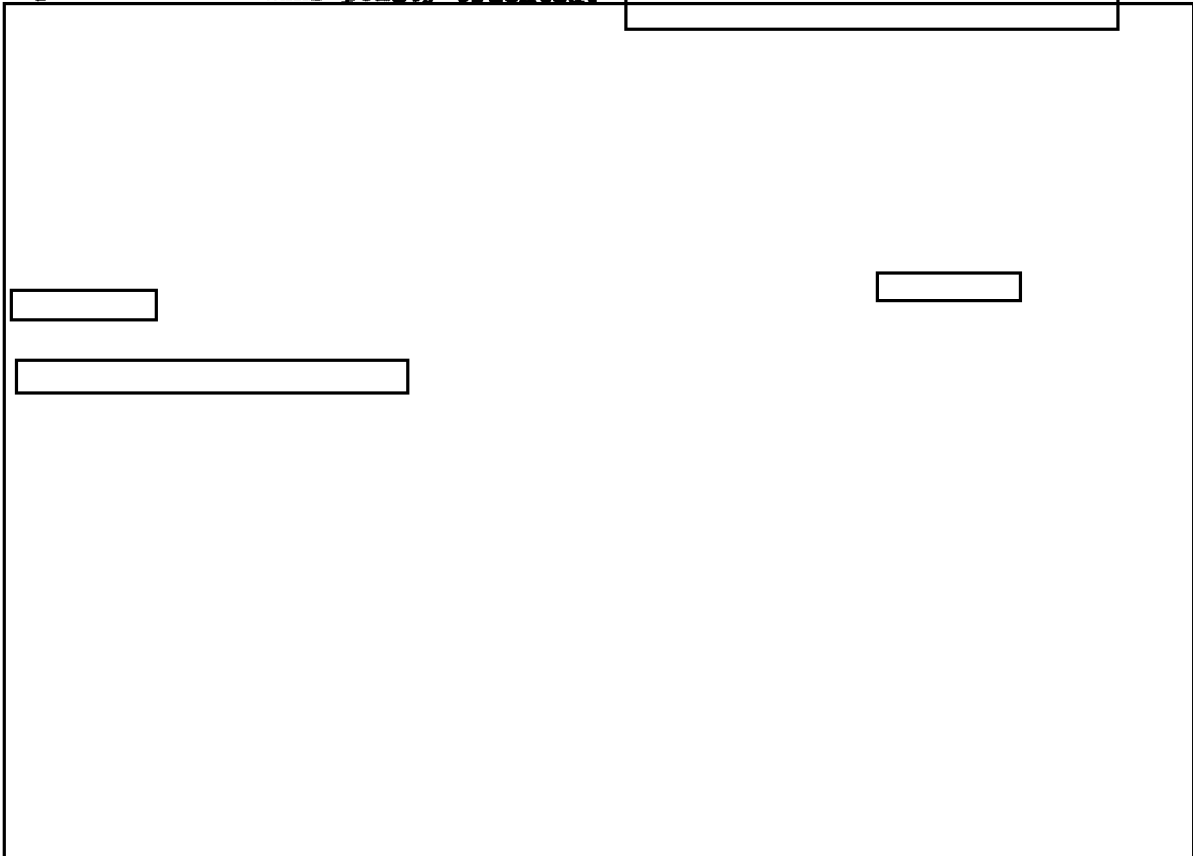
As the accompanying table shows, overall OER published production increased in 1969, by about 10 percent. Intelligence Memoranda in support of current developments of policy interest was at an all-time high. However, of greater importance was the larger number of studies published [redacted] which required in-depth research and rigorous analysis. Some of these required the applications of mathematical models and extensive computer assistance.

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Our role in NSSM support has been, in general, that of a small contributor and reviewer. Exceptions have been those involving the war in Vietnam, and NSSM's with predominantly economic ingredients [redacted] However, our production remains policy oriented. [redacted]

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5. Research on the War in Vietnam

The tempo of work on Indochina was brisk throughout 1969. The reduction in enemy activity in South Vietnam during the year as well as the bombing cessation late in 1968 did not result in any

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appreciable slackening in the research load. There were somewhat fewer requests from top policy levels of the new administration, but the questions which were asked frequently focused on the nub of basic issues of the war and often required new analytical approaches. The year opened with a review of the entire intelligence base in the Vietnam war -- Dr. Kissinger's NSSM #1. Inputs included enemy order-of-battle analysis, a survey of the logistics and infiltration picture and comments on enemy tactics and strategy. The year ended on much the same note of intensive research. The high-level Vietnam Special Studies Group was formed in October under NSC auspices at the request of the President. We played a major role in the research and drafting of the first of two reports considered by the Studies Group -- one dissected indicators of enemy manpower strength and the other reviewed the war in the countryside, i.e., security and control of the rural population of South Vietnam. Both of these projects were organized as community-wide efforts but the dominant OER role clearly demonstrated that our previous years of concentration and continuity on war-related research was paying off.

6. Formation of the Systems Development Staff

The Systems Development Staff, with the responsibility for the development of ADP projects and the application of quantitative techniques to economic intelligence, was formed in February.

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was applied to the problem of costing Soviet radar systems.

In addition to extensive use of OCS training programs, OER presented a workshop on quantitative methods for economic intelligence which was attended [redacted]. This continuing program for training intelligence analysts in the use of quantitative tools and ADP techniques is designed to provide us with a basis for further applications of computer analysis in the future.

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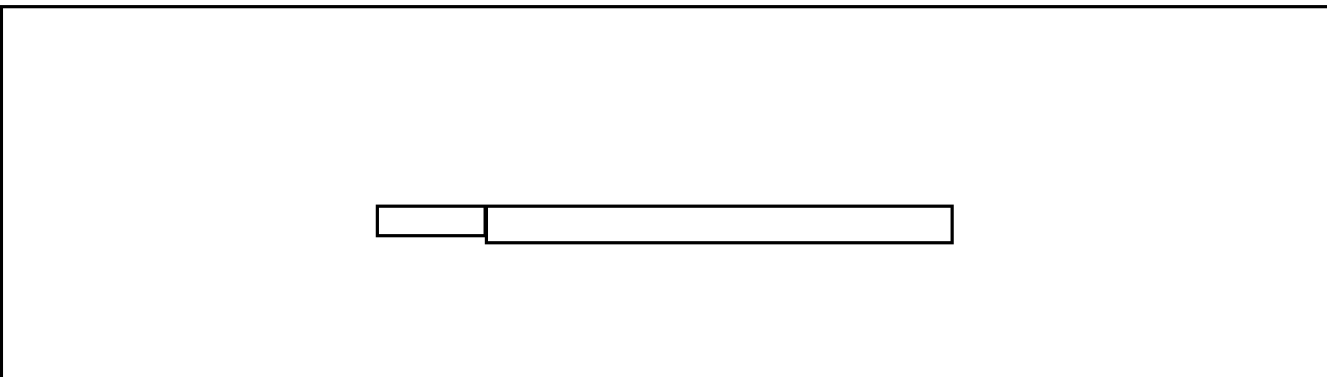
7. Expectations for 1970

ADP. We expect a substantial increase in the use of computers in OER. OCS is assigning us a full-time programmer, to be located physically in OER. Two remote consoles will be installed within the next few months and at least two more during the calendar year. Another workshop started the first week in January [redacted]. By the end of 1970 there will be at least [redacted] in OER trained in the use of computers in economic intelligence.

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USSR. One of the most important intelligence findings is that after two years of reasonable growth rates (1966 and 1967), Soviet economic growth began to decline again in 1968 and in 1969 the decline was accentuated. Industry as well as agriculture is growing more slowly. We are exploring the possibility that the long history of high rates of capital accumulation have brought Soviet industry to a point where rapidly diminishing returns have set in. If this is true, as a preliminary statistical study indicates, then a substantial acceleration of investment would have only a moderate effect on growth, and reorganization of the process for adapting and introducing new technology would be the

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only promising method of overcoming the current slowdown. Without scrapping the ideological trappings of Communist control, the rapid introduction of technology seems impossible.

In summary, we hope that 1970 will see a shift in research emphasis so that more in-depth analysis on key economic intelligence problems will be possible.

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EDWARD L. ALLEN
Director
Economic Research

Attachment:

OER Production and Support
Activities by Calendar Year

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