

DEPARTMENT OF STATE
WASHINGTON



October 16, 1958

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Dear Mr. Saunders:

The following represent the recommendations of the Department of State concerning the development and presentation of State's intelligence costs for reporting to the Bureau of the Budget and to the President.

It is recommended that:

1. The report be prepared on the basis of past year data rather than on a projected basis.
2. The report be prepared on the basis of obligations rather than on the basis of projected cost estimates.
3. The present general instructions of the Bureau of the Budget, except for (1) and (2) above, be unchanged.
4. The summary annual report be annotated to provide clarification of the items reported. (Probably for State one footnote would suffice to explain that the amount shown includes all Political and Economic activities in overseas posts.)

For State, and probably for other Departments and Agencies, the major problem is the difficulty in differentiating between "intelligence" and "operations". For example, political and economic activities in the field can be considered entirely "operations", yet practically every report, telegram, or other correspondence or material submitted by these units has present or potential intelligence value. These activities are both "intelligence" and "operations" - the proportion of each could be estimated only by an arbitrary determination.

We engaged

Mr. E. R. Saunders, Comptroller,
Central Intelligence Agency,
Washington 25, D. C.

Document No. _____
Review of this document by CIA has determined that
 CIA has no objection to declass
 It contains information of CIA interest that must remain classified at TS S C
Authority: HR 70-2
 It contains nothing of CIA interest
Date: 1 APR 1981 Reviewer: _____

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-2-

We engaged in considerable discussion concerning the possibility of refining or clarifying the definition of intelligence. The determination was that any such refinement, meaning a restriction or expansion of the definition, could not have practical value for all agencies. It must be recognized that although "intelligence" is inherent in most Foreign Service "operations" of the Department of State, it is not possible to segregate clearly the two functions. Consequently, it is impossible to determine to any worthwhile degree of accuracy the proportion of intelligence costs in the political and economic reporting functions.

In lieu of estimating an arbitrary and inaccurate division of political and economic costs into "intelligence" and "operations", either none or all of the costs should be reported as intelligence. It is our conclusion that all political and economic costs should be reported as intelligence costs provided that the summary report is annotated to that effect.

Sincerely yours,



Joseph T. Bartos
Director, Executive Staff
Bureau of Intelligence and Research

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