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To: "Dr. Baruch Fischhoff - Chair, National Academy of Sciences study on Social & Behavioral Science and Improving Intelligence"

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Subject: Talking Back to the DNI: Portfolio Management Imperatives

Dr. Fischhoff and Colleagues:

I assume that the DNI has funded the National Academy study. However it is essential to talk back to him about the \$75 billion/year bureaucratic empire that he has inherited.

The DNI System: A Good Idea and a Conceptual Mistake

The creation of the DNI system was both a good idea and a conceptual mistake:

- It is a good idea because, if the government (somewhere) knows essential information that must be coordinated and brought to top decision makers, somebody obviously must have the authority, budget, and competence to make the system work.

- The new system is a conceptual mistake, because an organized US bureaucratic system/culture will, over time, lose the independence of separate organizations and evolve to a single risk profile.

Portfolio Management/Risk Management

The science is portfolio management mandates - among other conclusions - *diversification* as the fundamental strategy to manage and minimize risk. At some level, President Obama and the nation must have truly independent systems that we rely upon - including diversity of types of organizations - Israeli intelligence, MI-5, Kissinger and Associates, reading The Economist, think tanks, tenured professors and independent Centers at different research universities with their own budgets, independent agencies that send reports to the President through the NSC without coordination or supervisory control of their budgets by the DNI system.<1>

First Steps: Estimating the DNI System's Risk Profiles?

This is a more complicated problem than can be addressed in a brief

discussion.

One aspect of the problem is that we don't know what independence (i.e., re how many dimensions?) truly means in the intelligence field. Giving organizations different names, different Directors, and their own budgets may be enough - or not. [As a first step, what would you think about a chapter outlining the data and analysis needed to establish the risk profiles of the current DNI system? There have been so many failures and deficiencies since 9/11 - e.g., the catastrophic failures to predict the global financial crisis and the complete absence, in the Global 2025 forecast of any sense that anything was even amiss.]

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<1.> The President needs his own strategy for portfolio/risk management - seriously talking with foreign leaders about their perceptions of the world, not just negotiating with them. Etc.

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