

INDUSTRIAL MOBILIZATION OF USSR

10 April 1947

CONTENTS

	<u>Page</u>
SPEAKER - Mr. Ernest C. Ropes, Chief of the USSR Division, Office of International Trade, Department of Commerce	1
GENERAL DISCUSSION	11
Mr. Ropes	
Students	

THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

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CAPTAIN WORTHINGTON: We are very fortunate to be able to welcome Mr. Ernest C. Ropes back to the College this morning. He is Chief of the USSR Division, Office of International Trade, Department of Commerce. He has been connected with the Department of Commerce since 1923, specializing in Russian affairs since 1925.

Mr. Ropes received part of his early education in Russia. He also spent the years from 1919 to 1922 in that country. In later years he has made several trips to Russia, the most recent of these in the summer and autumn of 1946.

Mr. Ropes has written many articles and reviews on Russian economic matters. His subject this morning is "Industrial Mobilization of U.S.S.R."

I take pleasure in introducing Mr. Ropes.

MR. ROPES: It is a pleasure to meet with this group again, and to discuss with you the topic "Industrial Mobilization in Russia." This is of particular importance as an illustration of the functioning of a socialist economy. It has developed by trial and error and it has assumed a definite pattern which may well be an example for us and other countries to study because of its remarkable and deliberate adaptation to war as well as peace.

The structure of Soviet industry, owned and controlled by the State, is four-fold. It begins with the large so-called all-Union plants of Federal importance, which represent the investment of Federal money, the planning by Federal authorities and the management by Federal appointees according to a definite system, which is too involved to bring up today. Those are called the "census" industries and the statistics reported by census industries are always characterized in that way.

Below that, on a lower level, are the "republican" industries, whose operations are confined to the republics in which they are situated. They are branches, if you wish, of the census industries but they have a separate field of activity of their own.

Still lower are the local industries, which may include a collective farm which has industrial development possibilities, or State farm producing raw industrial materials.

Below them still are the producers' cooperative industries, which are very varied in their kind and tremendously important in the total picture. These have this year been given a new status, Federal financial support, rights to materials and supplies, and other privileges and duties to enable them greatly to expand their manufacture and distribution through a network of retail shops of consumers' goods, of which a crucial need

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has prevailed for over 5 years. This is an extremely interesting example of the revival of an old Russian institution, based on private initiative and private profit, which has shown vitality and independence under the Tsars and is again called upon for assistance under socialism. The implications of this change of Soviet policy will be interesting to watch. We propose to write up the new law for publication in our FOREIGN COMMERCE WEEKLY.

The Federal industries are managed through commissariats or, as they now call them, ministries. There were some forty of them before the war, and probably more than fifty of them now because of the split-up of the war commissariats that has taken place.

There are also industries that carry over from Federal to Republican, a natural joining up of effort that is adapted to the system and to which the system is adapted.

The Council of Peoples' Ministers, commissars, is the supreme managing body, operating through individual ministries and then individual trusts and plants. These trusts aggregate plants of a certain type into groups, usually by locality, and the management is by trusts and groups down to the individual factory, which is in the hands of a director. That director shares his responsibility, his duties, and his work with the labor unions, that are represented in what we might call the directorate of the factory.

Similarly, there is an inter-relationship in the matter of supply. The supplying of raw materials or semi-finished materials is by contract from other agencies producing the kinds of materials necessary. On an annual contract basis, A supplies B, B supplies C, and so on up to the finished goods, which are turned out by the last agency in the chain.

In the beginning there was an effort on the part of the Soviet government to build the largest plants of a particular kind, if not in the world at least in Europe, and many plants of such types were built. But that was just a passing phase because of the difficulty of managing, supplying, and running plants of huge size. The tendency for the last ten years has been to separate plants according to locality, in accordance with the desire--a very natural one--on the part of the government to make each part of the enormous area covered by the Soviet Union self-supporting so far as it can be done.

That includes a search for raw materials in every part of the Union, the development by local forces (even using local funds) of those resources, and then production for the needs of the local population from the particular plant concerned. An instance would be cement plants, where the large unit was built before the war, a million barrels a year unit, at Novorossiisk. Since then literally hundreds of much smaller plants, from 10 thousand barrels a year up, have been located in various parts of the country.

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Part of the system involves taking advantage of the interrelationship I have suggested, as a means of enabling every industry in every branch of work to gain by the experience of other industries and branches. Thus there is--at least in theory; many of these things are not carried out 100 percent--an exchange of information between plants, between industries, to their common advantage, a very necessary point in order to avoid destructive competition and to enable all industries to grow at a similar pace by utilizing all the knowledge that is available to any of them.

Taking the initiative in establishing industry is an old Russian custom. The railroads were always built by the government; the main roads were usually built by the government, the canals, and a number of other industrial efforts originated under the Tsarist government; its representatives provided perhaps only the initial incentive by starting the thing themselves and then inviting private capital to carry on. When sources of foreign capital were available to the Tsar, many industries were thus started and then taken over by foreigners. The Revolution, of course, eliminated that and all the industries were "inherited", as they very tactfully put it, but the same principle remained in effect and was carried out to a much greater degree than ever before.

The major industries in the country are evolved, planned, constructed and financed by the government. The first investment provides the buildings, the trackage to connect the particular plant with existing railroads, and then the materials necessary to start the factory going; also the labor is assigned to the particular plant. From then on it becomes a financing proposition, such as we would have here where a bank provides the necessary capital with which to operate.

It is through the banks that the Soviet government in Moscow keeps track of and controls the operations of their industries. They are put on their feet by a preliminary investment by the government. After that, they are expected to carry on by themselves and to make a profit as quickly as possible. Through the banks their operations are checked; their profitability is watched. When there are profits, as so far in most cases there have been, in constantly increasing volume, the State takes 50 percent, leaving 50 percent to the individual trust or plant, to be invested by it as it deems best, through the so-called Director's Fund. All improvements made with that money must be for the benefit of all the workers. The Director does not personally benefit by the profits made by his plant except as an individual enjoying better conditions of one kind or another. The money may be spent, for instance, on a better restaurant; a larger club; a better furnished library; more opportunity for sports and other similar improvements financed for the benefit of all the workers by the profits all those workers have succeeded in making by their own efforts.

The control of operations is rather ingenious. There must be a continuous flow of information to the center from every producing unit. That is achieved by establishing in the particular town, or even small city, a branch bank of the State Bank in Moscow, which has

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the duty and obligation of following up the operations of every single industry within the area.

As all of you can readily imagine, most of the transactions carried out by the Soviet trusts or plants are bookkeeping entries. They represent a credit to A and a debit to B, or vice versa. They are carried through the bank on that basis, which is thus in touch with every single operation by every single unit through its reports, its checks, its receipts, etc.

There are, in addition to the clerks watching the ledgers, definitely appointed inspectors who travel continually around through the area, checking up on the spot, giving advice, and watching, above all, how closely the particular plant adheres to the instructions it has received.

The first process that was undertaken after the Revolution was the modernizing of all of the old plants in the Donets Basin. That was a tremendous effort. It took the better part of ten years of concentrated financial and industrial investigation, expansion and perfection of processes as well as the training of workers. That naturally led to the adoption of a confirmed principle which has given the Soviet Union a tremendous advantage for a new country, as you might regard it following the Revolution, in that it began its industrial work where other countries had left off. They bought nothing but the most modern and perfected industrial equipment. They adopted nothing but the latest processes which they might have developed or other countries had already done.

As a result, the Donets Basin, for example, represented not a reproduction of the old plants as of the Revolution, but a new aggregation of high-grade, highly productive, efficient industrial units based on what they had learned from us, from Germany, from England and other countries on whose experience they drew. That principle has been continued in effect ever since. Right now, in the United States, the Russians are making contracts with people who have, during the war, improved, sometimes for the War Department and the Navy, processes which they had had in operation for years and now have perfected to a point that very few of us even imagined, say, six or seven years ago as possible. An instance of that would be radar where several companies have already agreed to supply to Russia the latest developments--nonsecret, of course--that they have to report in their industries.

That is all tied together, this entire modernization and rendering plants more efficient and more productive, by a series of scientific research institutes, a phenomenon that, so far as I know, is not duplicated in any other country in the world. We may be tending in that direction here, but the Soviet government established years ago, and has continued to operate, a complete system of industrial research institutes, all of them working under the general aegis and direction of the Academy of Sciences, and all reporting to the government the results of their work.

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I think that emphasizes and illustrates the cooperative spirit that exists between Soviet industries. Where one institute discovers, say in the synthetic rubber manufacture, a more suitable process than it had before, it at once passes the information on to other plants in the same field; and so on down the line. Several of the larger industries have divided their institutes into three, six, or whatever is necessary, groups, each one studying a particular branch of manufacturing process, or processes, in that industry.

They, like our own research institutes, are constantly experimenting, inventing, discovering and trying new things. Very often they may be-- in some cases probably are--ahead of our own institutions which, except during the war as you know, have been entirely private and have bottled up in the Patent Office everything they have invented or discovered for their own personal benefit.

During the war we adopted the general principle of sharing. The Soviet government has always shared and it has given, as I see it, an extraordinary flexibility to Russia's industrial machine, and has also enabled them to modernize at a more even rate than they could have done under a system which tends sometimes to bury information instead of making it immediately applicable.

When the Academy of Sciences was incorporated into the Soviet system, it was made a working organization. All the highly theoretical work that had been done before was temporarily shelved in favor of the practical or applied work that it could do. It took on, for the first time in Russian history, not only the enormous job of exploring the country, discovering and reporting on and testing out new deposits of valuable minerals, metals, or whatever they might be looking for, but also that of guiding industry into the actual manufacture of the goods that could be made from those discovered materials.

The Academy of Sciences exercises general supervisory capacity over all industry. There is a constant flow, from what the Russians call the periphery to the center, of information as to coal discoveries, iron-ore deposits, or whatever the 30 thousand men sent out every year may have located in new sections of the country, often never trodden before by white men. In return there is a constant flow out from the Academy of Sciences of exact information, through these institutes, of manufacturing data and guidance, with the result of--again I must point out "in theory" because too much of this is still on paper; it is a desire rather than a fulfillment--knitting the country together to develop all the country has in the way of natural resources.

The record is very remarkable. I have watched and reported on the development for the last 20 years. I venture to say that in the sparse though very voluminous reports I have written and published in our own bureau, for a very limited circulation, there are more details about

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the actual growth of Russian industry, the exploration of the resources of the country, the operation of this new industrial system, than there are in any book one can find or that now can be written, because they represent the stages through which the Soviet Union went from 1928 to 1940.

Of course all of you know this industrial management, development and operation is according to plan--not in the old German sense where even the mishaps were "according to plan", but according to a schedule adopted, the latest one quite recently (the Fourth Five-Year Plan), in great detail, covering the entire country.

In the early days, when planning was first introduced in the electrical field only, there were more errors than successes. It was a new theory. The country was unaccustomed to being directed in any way. After the Revolution there was considerable chaos all throughout the land. But gradually the principles became established, the studies became more complete and detailed, and the plans have successively achieved a higher degree of what you might call workability.

They did not inflate the figures in the hope that perhaps by some miracle they could reach the planned totals of production. They actually calculated, on the basis of experience, what could be expected and set the figures not too much higher than the final result. The figures in each industry are a goal to shoot at; not a figure set up as a point that must be reached "or else." As a result, these goals are now accepted, as they must be legally, as the law of the land. They are passed down from the top to the individual plant, which posts its returns, the accomplishment or failure to accomplish, every week, month, quarter and so on. The reports flow into Moscow as to the accomplishments of the plant.

Lest you think that this plan is directed and imposed by a series of detached authorities in Moscow, who present the country with a complete picture which must be painted by the country, I must call attention to a fact which is very often overlooked, that no plan is ever drawn up and issued without preparation literally for months or years. That preparation consists of aggregating in Moscow all the information that can be obtained from the places to which the plan is to apply. It is thus a two-way street. Actually the plan comes from Moscow, but it has been built up on the information provided by the rest of the country. If a factory or a collective farm, because they are also included, finds it impossible on its record to accomplish a particular result, it is not expected to produce it.

The figures set, the goals appointed, can be reached. Of course there is a reward, first, for reaching those goals and even more for exceeding them. The record in the war is remarkable in this respect. Under the pressure of patriotism, in the spirit of self-sacrifice that

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pervaded the country, where men, women and children all pitched in to do their part to win, most of the quotas were exceeded by 25, by 50, by 100 percent.

That I bring out merely to show that the goals are not unattainable, with an average amount of energy and intelligence applied to their execution. It is to the interest of the people to reach those goals, for the final, the basic, the dominating objective of the Soviet Union, on the realization of which the strength and influence of the government, in the final analysis, depends, is the constant improvement of the conditions of living of the entire people—not only one class, not the people in Moscow only, but all the people from west to east and north to south.

There is quite an extraordinary feeling of paternalism on the part of the government, which always existed for the individual in Russia. It has never been applied on such an enormous scale in any country before, certainly not in Russia, where, under the Tsarist government, if five percent or a maximum of 10 percent of the population lived well, the Tsarist government was satisfied. Now, the government cannot base its support on any one class, or on any limited number. It must appeal in its policies and its work to the whole people or it will lose the support of its people. It has never yet lost it, as the war very clearly demonstrated.

It is to the war record that I want to draw particular attention. We have tried in our Commerce Department publications to give a picture of the operation of this system in wartime. We have published two articles which were written specifically for the purpose of pointing out what was accomplished during the war, industrially and otherwise, in two comparatively new areas. One, Uzbekistan, which is the cotton belt of Russia and has been for a thousand years, but where war industries were deliberately developed during the war to a remarkable extent.

The other, Kazakhstan, which was an uncharted waste about a thousand miles across and some 1,500 miles north to south, very sparsely populated, but discovered a long time ago, even before the Revolution, to contain vast stores of "useful" minerals--so the Russians called them; useful things to be dug out of the ground. The Kazakhstan development is an extraordinary feature of modern Russian industrial life.

These articles, I believe, will be of interest to anyone who wishes to see how this system actually worked under the most adverse circumstances, with shortages of labor, tremendously overloaded transport, and even shortages of food, clothing and shelter.

That brings me to another point in the total picture which is of great importance, and that is the labor that accomplishes these results which in some cases have been spectacular and in other cases very poor--as the Russians point out when they are. During the war, mobilization of labor

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was definite and strict. It began with the ten-year old children and ran up to the men of eighty. It was concentrated toward the end of the war on the women because there were no more men left available either on the farms or in the factories. From 30 percent, for women in industry, the figure jumped to 60, and in many cases higher. From not more than that in agriculture the figure jumped to nearly 100 percent, and in some cases entirely to 100 percent. American friends of mine who have flown over farms or visited them during the war reported farm after farm with small boys and aged gray-beards, but no other man in sight. The women did the work.

The labor is trained for industry. During the last 25 years the emphasis in all their educational systems has been on turning out men and women who could do things with their hands, with their heads--be producers, because of the enormous needs, in quantity and variety, for goods which otherwise could not have been produced, and actually never were in sufficient quantity to satisfy the population. That is still a goal to be reached, not in this Fourth Five-Year Plan but perhaps in a number of Five-Year Plans subsequent to 1950.

In the war, in order to speed up this operation, as early as 1940, they established special short-term wartime schools where the boys, and later the girls of fourteen years of age and up were trained to go straight from school to the factory, from school to the railroad, from school to a seat on a tractor, whatever they might prefer, and where boy and girl power could replace man and woman power.

You may readily ask--most people do, in this country at least--how this was all accomplished. That, of course, makes it necessary to point out the control of propaganda which rests completely in the hands of the Soviet government. They have, as we all know, the press, the radio, and word of mouth completely devoted to carrying out the plan and to applying on the spot, personally and individually, the principles of operation of this enormous country which the government has undertaken to run.

That propaganda is very intelligent. We may not agree with it, but it works. That is, I think, the final test. They know the Russians. They know the individual peculiarities of the tremendous number of non-Russians that make up a large proportion of the population. Their appeal has been extremely intelligent and ingenious. It has resulted, and only that could have resulted, in my opinion, in the complete unification of the country for war as it had been gradually unified for peace.

Building now on this accomplished fact, the instruction to all the people, in certain directions, to work for their own benefit under this ingenious and comprehensive system that has proved its worth, it does seem likely, almost inevitable, that the country will continue under these new Five-Year Plans to carry on the effort which it has already

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demonstrated its ability to make as a country, as a conglomeration of nationalities, all devoted in the final analysis to raising the level of the people throughout the country, whether they are Russian, Uzbek, Kazak or Mongols.

I allowed, I think, time enough to sketch very rapidly the six or seven main industrial areas which have resulted from this peacetime and wartime development by the Soviet government of its planned industry.

The first, and in many respects the most important limited areas, are those around Leningrad and Moscow. Leningrad always was an industrial town. It was the first city, I remember from my childhood, that introduced an electric railroad in any Russian city; it happened to have been put in by Westinghouse. It has always remained a tremendous industrial area, stretching up the Neva, out into the Gulf of Finland, and back into the country. Around it there are several other towns which are all purely industrial, and part of southeastern Finland has now been added to the Leningrad district.

When Moscow became the capital, that town changed from a city which was not exactly flatteringly characterized as the site of the dwelling place of the typical Russian merchant, who never moved from his home but sat there and waited until people came to buy from him or sell to him. It has changed into a tremendous industrial city. It is now being remodeled and redesigned to eliminate industry so far as possible from the city proper; to limit the population to five million (it is now seven million under crowded wartime conditions); to put all the factories as rapidly as they may be moved, or as new ones are built, outside of the green belt around the city.

This move has resulted, even before it actually happens except as a principle and a plan, in the growth of a number of cities within 10, 20 and even 50 miles of Moscow, which are classed as "the Moscow industrial district." That includes the textile town of Ivanovo, which is the largest city of its type in the country, and until quite recently produced all the textile goods that were turned out in the country. It goes back to Tsarist times, where it seemed to be a natural point for the development of a textile industry, and it continued to be the chief focus for that industry until they made the same shift we did and moved their factories to, or rather built new factories in the cotton belt itself. This particular planned development took place with much less friction than developments did in our own country and not a single mill was closed in Ivanovo, because the demand by that time had increased so that the complete supply by all the old and new mills is still short of the needs of the country.

The next large development, of course, is the Donets Basin, based on the coal, iron and manganese which have been known to exist there for generations, and where industry was first developed under the Tsar, by

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foreign capital, on a large scale. It was the heavy industrial center of the country until the Germans came in and took it over, when the heavy industry was moved into the Urals. Its production was of great variety and in tremendous quantity. That entire productive system is now being built up again on a larger, more modern and more efficient scale than ever before. An illustration, which you are all familiar with undoubtedly, is the Dnieper dam with five new industrial cities built around that particular center before the war and in the process of restoration at the present time.

The third important European-Russian center is the Caucasus, which, of course, has for a hundred years been the chief oil region. Since the Revolution, contrary to the policy of the Tsars, there has been a definite and deliberate development of industry also, aside from oil. They have harnessed the waterpower which was a wasted resource for an indefinite time; they have developed local coal mines and other mines of minerals and metals, and they have gone heavily into modern farming of a type never introduced in Russia anywhere before and which is suitable particularly for the Caucasus. That includes tea and citrus fruits never raised in the country previously.

The Urals is an old industrial region, 200 years old, but its possibilities were never realized until the war forced the evacuation of industry from the west to the east and the concentration of armament production in the Urals and east of it. That was so important and so varied in its accomplishment during the war that we have an article published in "The Foreign Commerce Weekly", which gives at least a superficial picture of what the Urals had before the Revolution and what the district is now after the war-concentrated development.

Beyond the Urals, eastward, is the Kuznetsk Basin which, with its ramifications, has produced another Pittsburgh, based on coal first, with iron discovered only lately and the ferrous metallurgical industries that naturally follow from such a combination.

And, finally, the central Asiatic Uzbek-Kazakhstan development, which I mentioned earlier as being described in two articles, is an extraordinary feat of concentrated effort directed by the government according to plan, carried out through this organized industrial machine which has gradually been evolved after 25 years of hard work, with its products distributed through the regular distribution system, which someone else ought to give a special lecture on in this course so you can get a picture of how goods are actually moved from one place to another over that enormous area. Compared to that problem, our own retail and wholesale distribution mechanism is childishly simple. It is not amiss here to say they have an even longer way to go in distribution in Russia than they have in production. If they have an adequate distribution system, with railroads, highways and airways necessary for satisfying all the people all over the country with the goods that are available, in fifty years, I shall be surprised.

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check-up that they keep continuously on what is actually going on in the plant. That, of course, would also minimize or rather distribute the responsibility for failure, and not put one man in jail, put perhaps none of them, but punish all of them so they would do better next time.

A STUDENT: Since the Soviet Government has had control of things in Russia have there been any major contributions by Russian scientists or by Russian industry to the world at large by way of trade practices, or improvement of scientific methods?

MR. ROPES: I alluded to the possibility that in the Academy of Sciences work they might have gone ahead of us. In some cases that I know of they have. In some cases that the scientists in our country know about, they have. But there is not the published information on the subject that there should be and will be, I believe, after the war when we establish the relations with the scientists and with other inventors, institutes, and what not that we hope to establish here.

Just as an instance, the Textile Institute in New York has been trying for three years to establish a relationship with the Textile Institute in Russia that will enable them to exchange technicians and skilled operators in various fields with the Russians and get the reports over here. That hasn't come off yet, but there are some fields in which I know they are ahead of us. In one field, at least, I am trying--I believe I shall succeed in the near future--to get the Russians over here to tell us how to do what we want to do in that field, and then we will send Americans over there to see how they actually do it on the spot. That again may be the beginning of a beautiful friendship, and an exchange of the kind of thing that we still don't know enough about.

I may say that in the weather science the Weather Bureau will tell you--they have told me--that the Russians know more about certain phases than we do. We in turn undoubtedly know more about certain phases than they do, and our relationship there, already long established, is very close and cooperative.

A STUDENT: You spoke of the admirable support the people gave the government during the war. I wonder if you would give us your impression as to the support of the people for the government in 1946 when you were in Russia. What effect the edict on prices and wages, depressing them so it would have a tendency to lower the standard of living even more, would have on the future support of the people of the government.

MR. ROPES: The results showed, except in Moscow where everybody is running around at a terrific pace going somewhere after something. In other parts of the country the pace has slackened. They haven't the physical or mental energy. They are squeezed-out sponges. Such conditions are not conducive to an immediate revival even of the

physical energy that they had or showed during the war. It will be several years at least before there will be anything approaching pre-war normalcy in Russia over the broad country effort. I cannot see, however, any way in which there can be a difference or a divergence between the national effort and the government effort or any reason for it.

I tried to point out, perhaps not with sufficient emphasis, that the Soviet government depends for the success and permanence of the system that it has created and which it regulates on the support of the people. That support depends in the ultimate analysis on the satisfaction of the people's wants to the greatest degree possible. As long as they can maintain a constantly increasing sense of well-being, the people will support and will not diverge from the course laid down. I see no sign that they will try any monkey business, either the government or the people. They both want the same thing,

I mentioned this cooperative development particularly because it shows how closely the government follows what happens or does not happen in the lower levels of the population. In the new law that was promulgated last fall, November, and is now in effect--we are writing it up for the Foreign Commerce Weekly. I hope to have it published soon--it is perfectly obvious that the Soviet government has completely failed in its own new socialist industrial system to satisfy the needs, the basic needs of the people, and they have turned it back, the satisfaction of those needs, to the people who are members of the cooperatives which were started in 1860. These cooperatives are based on the Rochdale system where each share owner in a cooperative is also a dividend receiver at the end of the year. Now that simply, to me, points out the flexibility of the Soviet system which can after--in this case I happen to know--at least two years of mulling over the situation, go back to and reinstall, if you can call it that, or recreate a pre-revolutionary institution because it works, and works because the people will work for it.

The membership of the cooperatives is something like 25 million, which includes the bulk of the peasantry and will now include many workers, because the producers' cooperatives are going to be expanded and the consumer and distribution cooperatives are to be permitted to operate in the cities in competition with state-owned stores which are of several types, but which are usually high priced. The expectation is--and it is based on experience--that the cooperative shops will supply the needs of the people at lower prices, because their mark-up is five percent against the so-called commercial stores' mark-up of 50 to 100 percent. In my general summing up I was just illustrating why I thought as I did. My answer to your question was that there would not be any divergence or danger of a split between the Government and the people so far as one can look ahead under this system.

A STUDENT: You infer that the Russian population supports the Russian government regardless of what that government does for them. I wonder if, in reading back in history, that is under the 5-year plans, too much emphasis hasn't been put on heavy industry rather than individual needs of the people; if the death of five million people adds up to what you say?

MR. ROPES: The very consumer goods' lack was what prompted this conversion to cooperatives, so that is their answer to the shortage of consumer goods, which they realized might easily become dangerous to the government. The Russian people have accepted or--it is rather difficult to say what they have done consciously--classed the troubles that they went through in the first 25 years of the revolution as past history. The ones that survived are interested not in the past but in the future. As late as two years after a village, for instance, in the collectivization period had been burned, the people that stayed or that came back to that village had restored it and would not talk about what went on before. It is not forgetfulness. It is emphasis, rather, on what they can do and intend to do, what lies before them, rather than on what has passed, which is history and can't be changed.

I still don't see any broad destructive convulsion, such as collectivization, likely, and that was the only serious setback by resistance from the population that the Soviet Government really had in 25 years. They overcame it, as you say, by destroying. But they overcame it, and it is forgotten, and the collectivization system has proved its advantages. The people that are alive now think of that rather than what used to be, especially when they don't know what else might have been, because there is no standard to compare with, you see.

A STUDENT: Has the actual lot of the people in Russia in the period between 1940 and 1945 improved to any great degree, that is, of the individual peasant?

MR. ROPES. Not what you would call any great degree, but it has improved according to all reports of observers, Russian and foreign, to an appreciable degree. So that has encouraged them, before the war and even after the war when they were down just as flat as they could possibly be and still breathe and live. It has encouraged them to go ahead, knowing that they have done it once, they can do it again, and can do it better next time.

A STUDENT: Mr. Ropes, I would like to hear your comments on the book written by Victor Kravchenko, "I Chose Freedom." He seems to indicate that there were some deficiencies in the Russian system, particularly in his reference to the fact that all through the war effort they would barter munitions for food, and his reference to the coercion methods used by the Soviet regime to achieve their purposes, which not

always proved efficient. For example, in the Ukranian plants, the way they starved the people working in plants, and the long hours that they demanded of them, possibly causing diminishing returns. But the official in charge was more concerned with his own neck because of the despotic or communistic system than he probably would have been if it had been a free enterprise merely trying to get results. He seems to bring out all the way through that this coercion system was not too efficient and I would like your comment.

MR. ROPES: My answer to your real question, "Is the socialist or communist system in Russia efficient or not?" is just one word, "No." It is not. I sometimes have questioned whether it ever would be, but in the war period they proved that they could really accomplish, for them, miracles. That we have not on their authority only, but on the authority of the hundreds of Americans who were over there and saw them working.

On Monday, I had the pleasure of seeing a friend of mine who was there during the war in the radar field--he is a representative now of the Raytheon Company that you may have heard of--and he had to answer the question, "Are the Russians as efficient and as skilled as we are?" in his own field. His answer was "Yes, and in some cases ahead of us; and we in some cases are ahead of them."

The Russian tendency is toward inertia and laziness, toward taking plenty of time for everything. It has been a monumental undertaking on the part of the Soviet government to reverse the current of history and try to make the Russians efficient. They haven't done it.

A friend of mine spent a couple of weeks--he is connected with the Moscow Embassy--at Krasnovodsk down on the Caspian Sea, east side. He described conditions there, particularly in regard to workers. Well, so far as I can give a general impression, if those workers had to take a step to keep from falling down, they would have fallen down just from sheer lack of interest, inertia or plain laziness. But every now and then a gang would come in that had experience and knowledge, and the whole thing would begin to move at an almost dizzy pace.

Now that is going on all over the country, particularly after the war when the labor shortage is simply fantastic, incredible. We talk about one here; we don't know what it is. They haven't the people; they are gone, 15 million of them. Under those conditions it is going to take years to get back even the kind of efficiency they had before the war. But there has been an amazing increase of productivity during the last 15 years before the war which justified the hope on our part, and certainly justified it on the part of the Russians the way they put it, that the productivity will be steadily increased every single year under each Five-Year Plan, which calls for an increase of about 20 percent in labor productivity, and they claim that they have got it. So over the

RESTRICTED

long haul--Mr. Kravchenko in writing about the past may be perfectly correct, but about the future I think that country is going to make him, as it has a great many Russians who have come over here even, to America, sorry they left there. That is a pure guess, however, as to Mr. Kravchenko.

A STUDENT: You spoke of the effectiveness of the propaganda machine during the war. I wonder what portion of that effectiveness you would attribute to the power to draft workers to certain portions of industry regardless of whether it was their preference.

MR. ROPES: You know the draft, while in effect, of course, was anticipated, it never had to be applied by force. The people willingly for the first time in history signed up for a year, two years, three years, whatever they might be called upon to do, and they stayed where they were put. They had never done that previously, so it must have been less compulsion than acceptance by the people.

I claim that the history of the mistakes that the Soviet Government has made and the successes that it has undoubtedly attained in the last 25 years, in spite of the mistakes, the successes have been obtained by using their brains and by proving to the people that this new system was better than or would be better than the old one.

There was a time, for instance, when in the heat of collectivization, that the gentleman referred to, the first thing that a government man did in a village was to shoot. The next thing that happened was that the government man got shot. After that had happened in a good many thousands of cases, the government decided that was not the approach. They couldn't afford to lose people at that rate. So they trained a new group of people. This was evident and well documented in the history of that particular period. It was written up, I remember, by a friend of mine in the Christian Science Monitor at the time he was in Russia and saw it.

Those government people were sent out to make friends with the people, not to spy on them and report their malfeasances or misfeasances; not to block the natural tendencies of the Russian peasant, which are the same as everywhere, every farmer in the world; but to show him how, by adopting new methods of organization, by taking advantage of the new machinery which the government would give him--hadn't anything to give him yet but would--by generally treating the government representatives as friends and helpers, they, the peasants, could themselves improve their own lot.

That took about five years to penetrate. The first ones also turned up missing. But gradually the effect was produced, and now, and for years before the war the constant and continuous improvement in agriculture was one of the outstanding features of the Soviet system. They got more food; they got a better quality of food; they got better-bred cattle; a better class of industrial products, like flax, cotton, and what-have-you. The few years just before the war proved that the system can

RESTRICTED

work. That, I think, is all the Russians have accepted so far, but they are willing to go along and see if it can't work even better than it ever did before.

A STUDENT: You outlined for us, sir, the area of Russian industry in seven major areas. How widely is it dispersed within those areas? For instance, when you speak of the Donets Basin, are you speaking of three or four sections or are you referring to many thousands of square miles?

MR. ROPES: Each area has more or less of a definite boundary, but they often overlap. The Donets Basin happens to be surrounded by farming country. It is a more or less integrated body of coal, iron, manganese, and certain other, very few, mineral products. On three sides of it, west, north, and east, there is farming land, so that is the first and most easily defined industrial district of that type.

When you come to the Urals district, however, that will extend eventually to the Arctic Ocean, and does now extend to the Caspian Sea, and spills over in both directions, west through the Stalingrad area, east to this other area that I spoke about. That is why I tried to put them together. But the Russians divide them neatly according to some little scheme that they have. It is all very easy to follow if you know the map backwards as I have had to learn it. The Far Eastern districts are not divided at all. There is not any district. It is the enormous area from the Arctic Ocean to the Manchurian border.

A STUDENT: One other question, sir. Our production of steel is measured roughly at 95 million ingot tons a year. What is the corresponding figure for Russia as of today, and how fast is it increasing? I ask that because I visited for the Navy the Carnegie-Illinois plant at Gary, Indiana, a couple of weeks ago. They said they were still the biggest steel mill in the world, but that they expected to be surpassed in the near future by a steel mill which the Soviets were building.

MR. ROPES: There is no steel mill in Russia, either actual or on the drawing board, that will touch the capacity of our largest mill. But we are tending to decrease the size of our units, I believe. The plant at Magnitogorsk has been growing for 15 years. Nobody knows where they are going to stop. They have a mountain of ore, 80 million tons high grade, and hundreds of millions of tons lower grade, 35 or thereabouts. Every year, during the war even, they added a blast furnace or two or some subsidiary and necessary shop, rolling mill, whatever they could get in there. Whenever any quantity of machinery was ordered for the steel industry, Magnitogorsk got either most of it or a very large part of it. That must have been what your Carnegie man was referring to. But there is not any other mill that can touch it in the country, unless with that discovery on the Angara River near Balkai, they build over the

RESTRICTED

next 15 years another Pittsburgh on the basis of the iron ore deposit which has just been turned up, in 1946, and not yet drilled, but which is considered or reported, at least, to be larger than the whole Donets Basin deposit. That is one of the speculative things that you can play with.

A STUDENT: You spoke of the growing success of the Soviet System and at the same time of the influence of the population on the government. I wonder if that success might not more or less be attributable to the fact that the Soviet system has been rapidly diverging from Marxism, as originally announced, to capitalism, as evidenced by the great spread between the pay of the top technical workers, and further evidenced by the cooperative that you earlier mentioned. Am I correct in assuming that the cooperative which you mentioned pays dividends to its members and that the members in turn invest money in the cooperative in order to own shares?

MR. ROPES: Yes.

A STUDENT: So you might make it analogous to capital stock ownership in a capital enterprise.

MR. ROPES: Yes.

A STUDENT: They employ people and they may sell stock, too?

MR. ROPES: Yes. They employ people that know the business, but as a matter of fact they have their own schools for training their own employees from managers down, so it is all within the cooperative system.

A STUDENT: But how does it differ from a capitalist organization whose stock is owned by a cooperative that was in the business for distributing consumer goods.

MR. ROPES: Not a bit, except that it is a part of a manufacturing and distributing system set up by the Soviet government. After all, in the final analysis, the Soviet government by denying materials to a certain factory or cooperative could shut them down. But it is so much to the advantage of the government, in fact it is a necessity to the government, to have the output of consumer goods that only the cooperative can provide, that they have finally decided--this has been known to plenty of people in Russia for years and outside of Russia, too, that they had to do it sometime--they have decided to take back or to restore this old institution whose property they once confiscated and whose people they scattered over the country and put to other work, and whose record and achievements they did not take advantage of for the better part of 25 years. They now have restored them to the place that they can occupy in a socialist setup. There is nothing capitalistic about

RESTRICTED

it yet. But there is a place for cooperatives, as they see it, in the socialist setup.

I may say that there is a possibility that this internal cooperative development may reach beyond the boundaries and that may form the first break in the state-controlled, foreign-trade monopoly. That, if you want, will be another instance or proof that private initiative is better than government. I don't know. It hasn't happened yet. We will see what the effect will be.

A STUDENT: Wouldn't you say that this continuing success is due to a leveling off or easing up of these fanatical doctrines that they originally practiced when they were at the depth of their economic life?

MR. ROPES: There is no question about it.

A STUDENT: They began with Marxism, but now, I am told, that one of their industrialists receives a salary which, compared with that of the lowest laborer, is as high as what Bing Crosby receives compared with an American laborer, but he is a wealthier man than our Bing Crosby.

MR. ROPES: They get a million rubles a year, and their income tax is much less than ours I can assure you.

A STUDENT: Isn't that an argument that this private enterprise system, call it capitalist, or call it what you want, is largely responsible for the current success of this system, and that it in turn stems from the will of the people, because, after all, as the Gallup Poll man told us the other day, it may take a lot of time, but eventually they come out and if they don't like it, they won't stand for it.

MR. ROPES: It is dependent on the "won't" of the people, you might say. If they don't like a thing, they won't adopt it. That is an old Russian custom. It goes back a thousand years. It is rather well entrenched. Over and over again the Marxist theory has been tried on the Russian peasant. The Marxist theory always gets thrown. The Russian knows what will work. He won't tell you right off.

A Russian friend of mine under the Tsar told me it took him seven years to convince his own neighbors in his own village that using a steel plow and share, that is, using modern agricultural machinery, would net them more money--seven years. But when they finally saw that he was making ten times as much as they did with their old system, the whole town went American. Everybody bought what the International Harvester Company at that time was producing in Russia to the extent of his ability and needs, and it was a prosperous village. Now, that is the Russian all over. He takes time to consider, but usually in a case where a theory contradicts his experience or that of his father or grandfather, he is mighty hard

RESTRICTED

to move. He takes great pleasure in disproving the feasibility of the theory if he can.

CAPTAIN WORTHINGTON: We have imposed on you long enough, Mr. Ropes. Thank you very much.

(20 May 1947--350)TP

RESTRICTED