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INDUSTRIAL MOBILIZATION OF THE USSR

20 October 1947

GENERAL MCKINLEY. We are very happy to welcome Mr. Ropes to the College again. We do not know of anybody more capable of speaking upon this subject than he. You have already read his biography; and since we have been delayed this morning, without further ado, I present to you Mr. Ernest C. Ropes.

MR. ROPES. This is one place where I never pull any punches. What I have to say I always say without hesitation and with the expectation, usually, realized, of being challenged, questioned, and perhaps criticized. I welcome all comers. I feel at home here. I have been with the College, unofficially, ever since it started.

I am glad that General McKinley did not go into too many details regarding my private life. As he said, you have read what is put out in the Commerce Department for me to give my background. Those details suffice.

I have had an unusual opportunity to observe and to study; for that reason, I think I can make statements without fear of challenge--unless there is somebody here who has devoted 30 or 40 years to studying Russia.

I have interpreted the subject assigned to me under the general title of "Industrial Mobilization" in my own way, because I know that you will have other lecturers to cover various phases of the resources, the geographic distribution of those resources, and other parts of the program of the Soviet Government. I will start with a description of the organization of industry under the planned economy of the Soviet regime.

The structure of Soviet industry, owned and controlled by the State, is four-fold. It begins with the large so-called all-Union plant, 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. These 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.

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

Below them still are the producers' cooperatives, industries which are very varied in their kind and tremendously important in the total picture. One of the long-time observers in Moscow, Walter Duranty, stated that before the war 50 percent of the consumers' goods in the country were produced by producers' cooperatives. The elimination of those cooperatives caused a very serious gap for a number of years. However, under a law passed about a year ago, they are returning to the place which they should have occupied during all the years of Soviet ascendancy. It was realized that cooperatives--both distributing and producing cooperatives--were a very necessary part of Soviet national life. Therefore, by the law of November 1946, they were restored as nearly as possible to their former field of activities. Under that law, they have 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, for which a crucial need has existed for over five 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.

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 splitting up of the war commissariats that has taken place in restoring them to peacetime activities.

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, commissioners, 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 union, that are represented in what we might call the directorate of the factory.

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Similarly, there is an interrelationship 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, and also because of the difficulty of transport from one part of the country to another. 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 definite policy has been in operation for about 15 years. It has really only now begun to make a dent because, after all, an area of that size cannot be industrialized quickly, even in minor respects. That policy 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, which, of course, was wrecked completely during the war. Since then literally hundreds of much smaller plants, from 10 thousand barrels a year up, have been located in various parts of the country.

Part of the system involves taking advantage of the interrelation ship 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.

For the government to take 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

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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 intact 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 tracks 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, (after all, the prices are fixed by the government to insure profits except for the most wasteful and poorly managed plants), 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 in the plant. The Director does not personally benefit by the profits made by his plant except in an individual enjoyment condition of one kind or another, including salary. The money may be spent, for instance, on a better restaurant; a larger club; a better furnished library, more opportunity for sport 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. That seems to be the basis for the feeling on the part of the workers that they are part-owners of the factory in which they work. The feeling is a very strong influence towards good morale and gives a sense of participation not only in the operations of the plant but in the benefits that the plant brings to the country.

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 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

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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 in the Ukraine. 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--non-secret, of course--that they have to report in their industries. That field is one of the complicated phases in our present negotiations concerning the Marshall Plan and a number of other present-day movements and changes. You may wish to ask no questions about that.

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

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of the Academy of Sciences, and all reporting to the government the results of their work.

I think that emphasizes and illustrates the cooperative spirit that exists between Soviet industries. Where one institute discovers, say in the synthetic rubber industry, 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 begin some cases probably are--ahead of our own institutions which, except during the war as you know, have been entirely private and never 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, it has also enabled the Russians 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 (it was nearly 200 years old when the Soviet Government took it over) 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. This was called the Bolshevization of the Academy of Science. We should call it a change from theoretical science to applied science.

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

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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 bureaus, for a very limited circulation, there are more details about 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 years, 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 they wanted. 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 logically, 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

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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 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, even 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, until, under the fascist 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 this 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 is 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," is a direct translation. The Kazakhstan development is an extraordinary feature of modern Russian industrial life.

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Since those articles, we have published two articles on the Ural Industrial District, to which, a thousand miles eastward, as you all undoubtedly know, a great many industries were transferred during the early days of the war from the West--Leningrad, Moscow, and other cities. The Ural wartime development was the high-spot of their industrial expansion. It has continued since the end of the war. The two articles cover that particular district in considerable detail, including the plan for the next five or even ten years.

These articles, I believe, will be of interest to anyone who wishes to see how this system actually worked--and is working now, for the following circumstances still obtain--under the most diverse 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 who they are poor. During the war, mobilization of labor 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 one 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.

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You may readily ask--most people do, in this country at least--how this was all accomplished. First, 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--certainly for them. 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 instructions 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 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, the town changed from a city which was not exactly flattering, 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

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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 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 of 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, manganese, and other materials which have been known to exist there for generations, and where industry was first developed under the Tsar, by 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. One of the new plants built before the war recently started operations for the first time since the war stopped.

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 water power 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. It is what they call the "tropical" or "subtropical" belt.

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The Urals is an old industrial region, 200 years old, but its possibilities were never realized 'till the war forced the evacuation of industry from west to 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," as previously mentioned, 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 on their Pittsburgh, base-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 fact 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 railroad, 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.

I must not leave out of consideration what is still a comparatively unimportant area so far as development--at least recorded development--is concerned, but one which will undoubtedly occupy a great deal of the world's attention in the next ten years or so, and that is the Far East, including, for productive purposes Manchuria and Mongolia. That, I think I will merely mention and leave to someone else to speculate about because the military angle is too complicated and important. Until we and the Russians can settle Korea, I do not think we will try anything very much in Manchuria. It will be left to the Russians to arrange with Chiang-Kai-shek, the Communist Chinese, and other elements. But it is going to be important in the development of trade channels and movements during the next ten years, for Russia, for the Pacific in general, and for the United States. It is a matter I merely direct your attention to as something worth following.

Thank you for your kind attentiveness.

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QUESTION: Sir, could you tell us something about the thoughts and morale of the Soviet working class? We have heard all about the size of the country, its potentiality, its industry, its ruling class. We have even been led to hope, by certain members of the State Department, that the inside shell of the Soviet Union would collapse. We can has ever told us, however, about the spirit of the people, what they think, about their morale, whether they are satisfied with their lot, whether they believe in communism, or what they think about the working class under the capitalistic system.

MR. POPES: Those are questions which even our own labor-union representatives either did not ask or did not get answers to when they went to Russia less than a year ago. They published a series of articles in a New York magazine entitled "Soviet Russia Today" which covered their trip, their investigation, as far as it went, and the replies of the Russians to the questions that they did ask.

I can only judge from a recent visit to Moscow which we made a year ago, from July to September 1946. We were there a period of six weeks. I should say that at least in Moscow the whole population not only has accepted its lot but is working harder than almost anyone else in Europe. We went through several other European countries, and in none of the cities where we stayed was the pace so swift as it was in Moscow. That does not necessarily mean that houses were going up overnight. They don't do that kind of thing in Russia. They never did. But everybody had an errand, everybody had a job, everybody was going along the streets--not wandering, but going from somewhere to somewhere else with an object in mind. That seems to apply throughout the country, according to the reports we can get.

There was a distinct slump after the war. Conditions were so bad that they couldn't get worse, and nobody in the lower strata could see how they could get any better. As a result, they just tended to lie down and wait for something to happen. It took a year at least for the government, with all its powers of propaganda and encouragement, to get them back into the groove. For the first year, the revival of production, the reconstruction of the destroyed plants crawled. No change was noticeable from day to day. Then the people returned to Stalingrad and began to work literally from the ground up, for nothing was left but the cellars of the buildings that had been there before. That was during the second year after the war ended; and the farms began to produce 50 percent of their previous output of food, which, of course, was still very short of their needs.

The example of Stalingrad was hailed as a feat, a phenomenon which others could duplicate. That seemed to account--it is the only thing I can think of--for an upsurge of energy on the part of the

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population. This year production has definitely gone up on the farms, which, as you know, have had a very large crop of grains and other farm products; and more and more is being done, according to reports, in the reconstruction of the industries.

For instance, every single large mine and a great many of the small ones in the Donets Basin were flooded by the Germans. The water had to be pumped out. They figured it would take five years to pump the mines dry alone, in addition to the time required to reconstruct all the overhead and the underground workings that had to be replaced. In two years they have gotten halfway back on the road.

The Knieper River dam is working--on only one generator; some papers have reported that a second one has been installed, but I don't know about that yet. There is at least one generator, an American one, which has been put into operation. The rebuilding of the dam, which they themselves had destroyed, was required, together with a relocation of all the powerhouse equipment and everything else that goes with such a tremendous undertaking as that was. As I said before, one of the industrial cities which depended on that dam for its current has recently begun operations.

The pace has been kept up remarkably in the Urals. As the articles I have referred to point out, some of the plans are beginning to be realized already; that is, oil plans for the Urals made during the war, when they realized the importance of keeping the location of their most important industries in an invulnerable district. They can certainly count on the Germans or anybody else never reaching so far east as that. For that reason they have devoted special attention to the Urals, where we might almost say, a new factory has started to operate every month or so. Certain cities have trebled in population. The movement of population from west to east, encouraged and sometimes forced, has been tremendous. We don't know what the population is in what we Americans call "Siberia"--the country east of the Urals--but it certainly is double what it was before the war, and it may have trebled.

All those symptoms--if I want to call them that--indicate, to me at least, that the country has accepted the system. It did so because it won the war, if for no other reason, it is working under the system, the people understand what the system means to the individual; and, therefore, they are, if you want, Communists. Most of them are not, you know. There are only six million Communists, I believe, in the whole country, out of 200 million people. So there are quite a few people who just don't think about that part of it. They know what their livelihood is, they know in which direction they are going, they believe it is "up," and they are putting in all the energy they have to speed up that climb.

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I think that is about the only way your question can be answered, Captain.

QUESTION. Sir, would you mind saying a few more words with regard to the importance of Manchuria to the Soviet economy? We are chiefly interested from the agricultural standpoint, the industrial standpoint, and also from the standpoint of transportation across Manchuria from the warm-water ports of Dairen and Port Arthur.

MR. HOPE: I think I said that that is a very ticklish and really a strictly military question. Looking at it purely from the economic standpoint, without considering the movement of armies, it seems to me that Manchuria is headed for a tremendous development, both agricultural and industrial, during the next 10, 15, or 20 years. It is one of the undeveloped spots of the Asiatic Continent, and history has shown that it is capable of enormous production of all kinds.

The Japanese discovered there--and set up a military-industrial machine based on the--a number of resources which the Manchurians and even the Russians did not know existed. Those resources will undoubtedly be utilized; and the machinery taken by the Russians will be replaced in their own interest if they succeed in establishing control over Manchuria under the Treaty, which could be done, because the country that has the railroads in Manchuria is naturally the dominating element, regardless of what the government in the south might like. If they succeed in doing that, they can turn what is left of their energies to Manchuria after trying to develop their own country.

My thesis as to the Russians is that they have bitten off a great deal to chew, and it is going to take them years to chew it. Today--I can announce without attempting to put a rose on myself--the "Philadelphia Inquirer" is publishing the first of three articles which I have written for the definite purpose of showing how impossible it would be, now or within five or ten years, for Russia to start a war with any hope of maintaining it. I divided these articles into industry, agriculture, and transportation. I included transportation because logistics is an extremely vital part of military activity; and logistics is the stumbling block in the way of Russia's waging a war or even defending herself, as was proved in the past war.

Manchuria is undoubtedly a factor in the Soviet plans for the future. Where it will come in and when they will begin to operate depend on so many conditions that it is impossible to predict the future in that respect. But that is a place, like the planet area of Africa, which is going to be developed in the interests of the world. It does not make much difference, as I see it, who does it. There are no real Manchurians, or Chinese, to do it. The ones who will do it

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will be the Chinese, the Russians, or a combination of the two, with probably our own capital to help them along, if there is any governmental control introduced with which we can cooperate. That is purely from the economic standpoint, of course.

QUESTION: In the development of industry, to what extent is slave labor or forced labor a factor? How large is it and how is it used?

MR. ROPES: I don't call it "slave" labor; the convict labor, that is, the German prisoners and the political prisoners, is a very negligible factor in the total. It is impossible to guess at numbers. Assuming the entire industrial force is about 35 million--which figure may be higher or lower right now; nobody knows--the actual amount of industrial labor of that type suitable for the program they have selected can't be very large. There are German scientists, there are German skilled workers, and there are German technicians; but the proportions are very small. Judging from the prisoners I have seen there and friends of mine I've seen, the quality of German prisoners is worse than the poorest that you could find in Germany. They wouldn't last any time in Germany right in, because you have to be pretty good to live in Germany these days. They are not productive because they are concentrated in an area where there are no industries. If we accept all the sources that have been published by von Lilienthal and others--who, I think, know nothing definite themselves but have simply strung together rumors and occasional reports that they've gotten in letters; we have had them too--labor of that type is concentrated in the Far East, which is a tremendous area and on that the development is 50 years off. That area might be likened to Alaska, the conditions that prevail there are very similar to those in Alaska. Because of the tremendous area and retarded development there, the prisoners, if they are concentrated there, can't produce very much. We have no record that they have even completed the Baikal-Amur railroad, which was started years before the war and is not finished yet officially, although that would have been a natural thing on which to concentrate the millions of prisoners that you read about as being in Russia, if they were there, and the facilities were available. The country is undeveloped and the few groups of prisoners that have been seen operating in Central Asia and on the shores of the Baikal Sea and in Manchuria couldn't accomplish anything even if they were all concentrated in one place. They are not the type, physically or mentally, to do so.

So I would regard, from the strict interpretation of your question, the part played by the convict labor--prisoners or war or political prisoners--in the agriculture of industrial labor as very small. Industrial labor is trained, selected and placed according to what it can do; and convict labor is disregarded as productive units, judging from results.

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GENERAL McGINLEY: Mr. Ropes, I want to thank you very much, indeed, for coming here today and giving us this very enlightening talk.

(29 October 1947--450)S.