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MATERIAL RESOURCES OF THE USSR

23 March 1953

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Dr. Harry Schwartz, Specialist on Soviet Affairs, "The New York Times," was born in New York City, 10 September 1919. He received his B.A. (1940), M.A. (1941), Ph.D. (1944), from Columbia University. He has held the following positions: lecturer in economics, Columbia University, 1940-1941; tutor in economics, Brooklyn College, 1941-1942; economist War Production Board, 1942; economist, Department of Agriculture, first half of 1943; United States Army, 1943-1945, including service as Soviet intelligence specialist with Office of Strategic Services, 1944-1945; Soviet intelligence specialist, Department of State, 1945-1946; assistant professor of economics, Syracuse University, 1946-1948 and associate professor and professor of economics there to the present time. He is the author of the following books: "Seasonal Farm Labor in the United States," (Columbia, 1945); "Russia's Postwar Economy," (Syracuse 1947); "The Soviet Economy; A Selected Bibliography of Materials in English" (Syracuse, 1949); "Russia's Soviet Economy" (Prentice-Hall, 1950). He is the author of many articles in scholarly publications, including "American Economics Review," "Journal of the American Statistical Association," "Journal of Political Economy," "The Annals of the American Academy of Political and Social Science," "Journal of Farm Economics," "Political Science Quarterly," "Rural Sociology," "The Russian Review," and many others. He has also written many articles on the Soviet Union which have appeared since 1946 in "The New York Times," "New York Herald-Tribune," "Wall Street Journal," "Colliers," "Catholic Digest." He is a member of the following organizations: American Economic Association, American Statistical Association, Phi Beta Kappa. Dr. Schwartz received a citation by General William Donovan for his outstanding work in the OSS.

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CAPTAIN HAYES: A glance at our schedule for this week indicates that you are in for a very busy week. Our professors of Public Speaking tell us that a sure guide for an introduction is the question: Why this subject, to this audience, by this speaker? Nobody has to tell anybody else around here of the importance of the Soviet material resources. This audience in a sense can be classed with the patrons of the Capital Transit Company as captive.

Besides that, you have already been introduced to Dr. Harry Schwartz in a lecture last October, and both the buying and nonbuying readers of "The New York Times"--which includes practically all of us--are familiar with his articles in that paper. So actually I have no function up here except to tell Dr. Schwartz we are glad to have him back here again to talk to us on the "Material Resources of the USSR."

DR. SCHWARTZ: Thank you very much, Captain. General and gentlemen: I would like to start with the conventional but perfectly sincere statement that I am grateful for the opportunity to be here today.

I think it is rather appropriate that I come here this morning because in one sense at least, I have been paying a great deal of attention these past weeks to a gentleman called Georgi Malenkov. Mr. Malenkov, as you all know, is apparently the new ruler of Russia or one of the new rulers of Russia. What makes the interest of this group here in Mr. Malenkov very apropos is the fact that he rose to his present position in part because he turned out to be a superb economic mobilizer and you gentlemen are all interested in economic mobilization. During World War II he was in charge of most of the Soviet arms production and his success at that job was one of the prerequisites to his later meteoric career. So you can see what can happen if you do a good job in economic mobilization.

More seriously, I have been told I am supposed to speak about the material resources of the Soviet Union. This is obviously a very broad topic, one on which one could spend an entire semester rather than one hour, so we will have to be selective. I am going to try to hit the high spots on three phases of that matter; first, I am going to talk about the human resources, which are the basic material resources of the country; second, about the raw material resources of the country; and, third, about the technical resources.

Now as regards the human resources, you all know that the Soviet Union has something in the neighborhood of 200 million people today.

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This is on the whole a relatively young population. The average age of the Soviet population today is probably 30, which means that the great bulk of the Soviet citizens have been born since the revolution of 1917. This is a conglomerate population composed of people of many nationalities and many cultural backgrounds. About half of those people are Great Russians--the people we usually call Russians; the other half of the people are individuals who are not Russians. About 25 percent are Ukrainians. To most of us the Ukrainians are Russian; there doesn't seem to be much difference between the two, but to Russians there is a great deal of difference, and that is what counts. They are Slavs. You have also the White Russians who are also Slavs.

Those three large groups comprise three-fourths of the population. The other one-fourth is made up of a large number of Moslems, Cossacks, Uzbeks, close to 2 million Jews; there are Georgians--Stalin was a Georgian, remember; Armenians; there are people from up on the Baltic--Latvians, Lithuanians, Estonians, and a vast variety of different minor peoples.

From the economic point of view, the importance of this heterogeneity is this: Many of the non-Slav peoples are people who 25 or 30 years ago were living in the Middle Ages, economically speaking. They had no, or very little, contact with technology, and one of the most remarkable things that the Soviet Government has succeeded in doing has been taking people such as the Kazaks, who had a completely nomadic, pastoral way of life--the kind of life that is described in the Biblical description of Abraham--and turning them into a people who are operating machines; people with different viewpoints, different cultural levels. The integration of peoples having these many languages and different backgrounds is not an easy job.

That calls for a discussion of psychological warfare. I wouldn't want to talk about psychological warfare in regard to the nationalities question. I will mention that now for some other occasion.

Dr. Mosely, who was unfortunately kept away from here, I am told was supposed to talk to you about the will of these people to fight, which is a kind of basic question. I don't know what Dr. Mosely would have said in detail. I do not presume to speak for him here. However, I have discussed the issue with him at times and I have done my own reading. I would like to make a few comments.

There are some people who have been misled by our own propaganda. There is a widespread belief, seemingly, that all we have to do is wave a magic wand labeled "psychological warfare" and all of the Soviet Army would defect. This week's issue of "Life" seems to have a formula for forcing the whole Soviet Army in Germany to defect. All you have to do is drop some leaflets and the war is off. It seems to me that is

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perfectly nonsensical. The proof of that is that every day hundreds of Soviet planes are in the air driven by Soviet pilots with sufficient gasoline to get them across the border. It would not be difficult. Yet there are very few defectors. The last defector, as you will recall, was a Pole, not a Russian. So even on that level, there is not quite the same eagerness to defect as some people seem to think.

I would like to make these comments about the Soviet population and its willingness to fight. I am going to play the devil's advocate for a moment before telling the other story. In the first place, we have to assume that the people of the Soviet Union have the same love of country as we have of our country. It takes a tremendous emotional upset within a person to make him lose that love of country which has been taught him from infancy and make him want to defect. The people of the Soviet Union are the products of schools which are the same as our schools, instilling in them a love of country just as we have a love of the United States. In other words, one basic reason why the Soviet people are likely to fight--they fought very well in World War II, you will remember--is the basic love of country, basic patriotism. We ought not to sell that thing short.

Another reason they would be willing to fight is because they have been inundated by propaganda by their government which has convinced many of them that undoubtedly they do have the best economic, social, and political system in the entire world. After all, here you have a population which is subjected day in and day out, through every media of communication, education, and information, with the notion that they are the luckiest people in the world and that every other people, particularly those of the United States, are just a bunch of sad sacks groaning under the lashes of Simon Legrees. People who have no access to other information believe that and therefore they would fight.

Another good reason for fighting is simply fear. That is, the Soviet Government's propaganda has very cleverly and very viciously depicted the United States as a nation of monsters. You know what the Soviet picture of an American soldier is. The American soldier is a drunken stumble-bum whose biggest function is (a) rape; (b) torture; and (c) killing little children, preferably in as horrible and painful a way as possible. Therefore, we would be silly if we didn't know that the people of the Soviet Union, whatever they might feel about the regime, would be fighting to protect their own loved ones--their wives, their children, and themselves.

So given those three factors--the basic nationalism of the people--a normal phenomenon, the conviction that has been instilled in them that they have something that is good; the fact that there has been progress in the country, let us not undersell that; and finally the completely distorted picture of the United States that has been given them--all those provide a motivation for fighting during a war.

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I am not suggesting that psychological warfare would be useless; on the contrary it is most important. But we must not expect that it is a weapon that will solve our problems nor is it a weapon which would work immediately. On the other hand, however, I would be doing less than justice to the topic if I did not indicate that there is good reason to believe there is disaffection and dissatisfaction. The Russian people are not morons. They can see in their own lives the difference between government propaganda and their own living. Many of them must wish for more liberty of speech, press, conscience, and religion. They know about the Soviet regime's slave labor camps. So there must be a great deal of internal disaffection and dissatisfaction.

But all this is latent. Sentiments are things which people who have them are very careful to conceal. After all, you dare not talk to your next-door neighbor about it because, for all you know, the next-door neighbor may be a member of the secret police. The factors exist. They must affect many Soviet citizens, and, given time, in the event of war, and given Soviet defeats, it may well be that these factors would give our psychological warfare technicians the opportunity to play some important role. But it would take some time. It is something we can't expect to do immediately. Remember, too, that the issue of whether or not the Soviet army is winning or losing inevitably would be very important because every human being has the tendency to jump on the band wagon or to stay on the winning band wagon.

Initially, at least, the Soviet citizen would have the will to fight and what would happen after the initial period would depend on two factors: (a) the progress of the war itself and (b) the skill of our psychological warfare technicians. The word "skill" is important. If I could put in a plug for a publication other than my own, I understand Mr. Harlan Cleveland of "The Reporter" magazine gave a talk to you last week. There is an article in this latest issue on psychological warfare techniques in Korea which is disheartening beyond words. If there is anything of truth in it, it should be required reading for military personnel, field grade and others.

The material resources of any economy can only work with what it has--iron, steel, coal, electric power, and the like. The Soviet Union, as you can tell from the map, is a very large place. It occupies roughly one-fifth or one-sixth of the earth's surface. It has many different kinds of geological formations. It covers a wide stretch of climatic differences. Just from those simple facts we would expect this area to be a rich one and for the most part that expectation is not a false one. Because our time is limited, I am going to be rather summary and categorical, but let me review some of the salient points.

First of all, as regards raw materials for industry, let us take minerals. The Soviet Union is probably as rich in minerals as is the

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the United States, which means it is either now or is potentially capable of becoming self-sufficient or almost self-sufficient in minerals. Now it is true that Soviet production of many minerals and many metal products is not nearly so large as the United States production. For example, in the case of oil, the Soviet production of oil is only about 20 percent as great as that of the United States, but that is not because there is more oil underground in the United States than there is in Russia. That is only because we have developed our oil resources more rapidly than the Russians have developed theirs. Actually what we are probably up against is this, that we will run out of oil long before the Russians do. We will probably be on the declining part of the oil production curve while the Russians are on the ascending part of the oil production curve. That may be true of other important minerals.

Let me just review briefly the situation with regard to some of the most important minerals. As regards iron ore, the Russians have a lot of it; a good deal of what they have is of rather high quality. At the present time the most important sources are in two areas: One is the Krivoi Rog area in the Ukraine in southwestern Russia; the second is at Magnitogorsk in the southern Urals. These are not only the most important present reserves of iron ore in the Soviet Union, they are also centers for most of the Soviet iron and steel industry. Unfortunately for the Russians, however, both of these sources have been worked so long they begin to show signs, not so much of exhaustion, as of depletion.

To make my meaning clear, I might compare it with our Mesabi Range. There is still a heck of a lot of iron ore in the Mesabi Range in the United States. The trouble is we have used up the cream of the ore in the Mesabi Range. The steel companies are now working furiously to develop a process to use economically the low-grade ore in that area. They are trying to find methods of using up the reserves of iron ore. There was a time when a Russian factory wouldn't use iron ore with less than 60 percent content; now they are using it with 30 and 40 percent content.

One of the goals of the Soviet Union is a very heavy emphasis on the techniques of using lower-grade ores and also on sources of these lower-grade ores. Their expanding steel industry plus the depletion of these iron ore sources have put very severe strains on iron ore. They are in the same position we are in of having to look for lower-grade ore uses and going out and trying to use high-grade sources very far from centers of production. Among those higher-grade sources is the Kola Peninsula area of the Arctic Circle.

In the matter of coal, we have a situation which is very comparable to that of the United States. Soviet coal production is about 300 million tons at the present time, or 60 percent of the United States production. Coal is very widely distributed over the Soviet Union, but

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the old sources are again being depleted. Of course among the old sources, the most important is the Donets Basin (Donbas) in the Urals. Here they are having to dig the coal mines deeper and deeper. The Russian engineers are now working on pumping machinery and ventilating machinery of the kind they have to use in the Belgian coal mines which are the deepest in the world and which are the toughest in the world to work; this is an indication of the coal resources there. But they do have a great deal of coal spread over the country. In the Moscow area it is mostly lignite; the Urals, primarily lignite; high-grade coal is found at Kuznetsk; there is also coal in other places. Here again, the emphasis is on both the working of deeper mines in the old areas and, as the old areas become depleted, pushing forward rapidly into Siberia to open up more coal mines which are very rich but are still far distant from the centers of population. I am sure all of you appreciate the problems that are required to be solved in order that transport, housing, and so on, may be provided for these distant areas.

With respect to petroleum, there has been a petroleum revolution in the Soviet Union in the past decade or decade and a half. In 1940 something like 80 or 90 percent of Soviet petroleum came from one area, the Baku area, Azerbaidzan, the Caspian Sea area. The area of Baku is a long way from Moscow and is extremely vulnerable from bombers coming in from Iran. Don't think the Russians do not realize that. In the last war, Germans came very close to Baku and there was a possibility of its being captured. They developed other sources of oil. Today Baku supplies 40 percent of all Soviet oil; another 40 percent comes from the Volga area, the Urals, northeast of the Caspian Sea, roughly in that area above the Caspian Sea. They have also done a lot of smaller-scale development. The second development of oil is in the central Ukraine and to some extent above the Arctic Circle.

There is an awful lot of oil underground in Russia. One of the important things is the postwar rapidly increasing oil production. Back in 1946 when Mr. Stalin laid down postwar goals for the Soviet economy, he said that it was his hope that around 1960, maybe a little later, the Russians might succeed in producing 60 million tons of oil a year. This was at a time when the Russians were probably producing around 20 million tons. At the time it seemed like an incredible goal. Last year, according to Mr. Malenkov, Russia produced 50 million tons of oil, or thereabouts. Probably within the next year or two they ought to reach somewhere near what was originally the 1960 goal for petroleum. So, although petroleum remains one of their very basic weak spots, it is now much stronger than it was before. Every year that passes, they become less and less vulnerable on account of petroleum deficiencies although for some time to come, it will still be one of their weak spots.

Now I want to say something about nonferrous metals. It is true, I think, as among other resources, the Russians are weaker with some nonferrous metals--not enough copper; also having trouble with lead and zinc. They also have some difficulties with some of the ferralloys--

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in particular, things such as molybdenum and tungsten. This has forced them into a great deal of substitution. They did attempt to import materials from abroad to make up these deficits. Of course, with the acquisition of China, they have been able to repair the tungsten deficit. We used to be able to get a lot of tungsten from China which now presumably goes to Russia. Nevertheless many of these alloys are short in Russia and may continue for some time.

We must also remember that their aluminum expansion program has been very successful so far and promises to be more successful in the future. I think in any future war, they are not going to depend so heavily on planes made of plywood as they did in the past. They will have in the future much more aluminum. The aluminum story is an important one. Behind that story is the fact that they do have a great deal of bauxite, particularly in the Urals and in central Asia.

As regards some of the nonmineral products, I would like to say briefly that the shortage of agricultural land is one of the basic weaknesses of the country. Most of Russia, as you probably know, is not suitable for temperate zone agriculture. The climate is too cold and the summers are too short. Even where they have good land and can raise good crops, much of that area is where rainfall is undependable. They have frequent droughts. Even in the black earth area of the Urals so much of the agriculture depends on huge dams. They have built irrigation projects in this area with the hope that through irrigation they may be able to free themselves from the dependence on the weather and be sure of getting high yields of dependably good crops--they are making progress, too. Let us not sell them short on that. I should have also mentioned lumber.

If I may review raw materials, minerals are pretty strong and there should be no limit to their expansion in the foreseeable future because of raw material shortages. Their situation as regards agriculture is not so fortunate. They do face the problem of the population pressing on food supply. They are having to spend enormous sums in capital investment for irrigation work, drainage projects, and the like so as to increase their land supply and make the yield of their land more dependable. But they are making progress; not all of their claims are nonsense--they are getting stronger.

Let me say a brief word on technology. We Americans used to have the idea that the people of Russia were just ignorant peasants who were nincompoops about machinery. I remember as a young trainee at Ft. McLean-- I suppose some indoctrination expert thought it would be a good idea-- they showed us a film called the "North Star." This was the era when Russia was our ally. It was a picture showing our happy Russian friends dancing around a Maypole. One of the scenes showed the Russians getting a tractor and the bewildered peasants saying, "What do you do with this thing, milk it, or what?"

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The important thing is that there was a widespread theory that the Russians were an ignorant people. It might have been true 20 years ago. For many of the Soviet people I am sure it was true that they were ignorant of much of the modern technology, but that is no longer true today. Some of you may have been pilots who fought against Soviet MIGs in Korea or you may have been intelligence officers who took down the reports of the pilots who returned from encounters with the Communists. Their fighter planes can go 600 miles an hour. Most of you know that in the past four years there have been at least three Soviet nuclear explosions, which, in fact, most people think were atomic bomb explosions--despite Mr. Truman's statements. Morons would not make atomic bombs.

One of the most profound changes introduced by the industrial revolution of Russia has been the training of millions of Soviet people in the basic skills, in the basic knowledge of modern industrial technology and modern industrial civilization. Now I cannot say that the Russians are all skilled machinists or anything of the sort although they undoubtedly do have many thousands of skilled machinists. I am saying that Russia has gone from a very backward land into one of the foremost in the world, with millions of people capable of doing skilled and semiskilled work which is required in machine shops, mines, and other basic factories. At a higher level, there are several hundred thousand perfectly good engineers, chemists, metallurgists, and other specialists of a similar nature. Perhaps the average quality of these specialists is not so good as the average quality of the American specialists, but it is also true that there are many Soviet technicians who are better qualified than American technicians. They are at the top.

In the field of pure science, the Soviet today has a great many top flight scientists in such sciences as physics, chemistry, mathematics, which are key fields in modern industrial civilization and modern warfare. They are some of the outstanding people in the world today. I think a study of Soviet publications on nuclear physics, for example, during the war would show very quickly that a great many of the things we discovered in the Manhattan Project which were stamped "Top Secret" were being published freely in the Soviet journals, not because they had been stolen, but because their top scientists had discovered the same thing. Our own people were very respectful toward Russia's contribution.

So what I am getting at is this: It is true the Russians might not have made such rapid progress in such things as the atom bomb and guided missiles without the help of German technicians and espionage, but we would be very foolish to think the Russians would not have been able to duplicate those feats without that kind of assistance. It would have taken them longer, but they have the know-how and the personnel, and what is even more important, for a long time to come they will be busy training more of this personnel.

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There is every reason to believe that the output of the Soviet engineer is probably greater than the output of an engineer in the United States. Certainly the output of engineers in the fields related to military production is greater than in the United States. They are smart people and able people and they have a government which gives a capable individual very high rewards for mastering basic technological knowledge and applying that knowledge effectively.

Let me sum up with one sentence: My basic desire here in this talk has been to depress you because I am myself very much depressed. I think we are facing an extremely tough enemy, one who has enormous resources and one who is going to tax us very materially if war comes. I don't think he is an invincible enemy. He has his weaknesses but he is no pushover. Anyone who tries to make American policy on the theory that Russia is a pushover or that any peace movement is an indication of a change of heart is simply inviting national suicide. Thank you very much.

QUESTION: How about potential electricity?

DR. SCHWARTZ: Of course, electricity is another field in which they have progressed very rapidly. In 1940 they were producing 48 billion kilowatt-hours of electricity a year. During the war a good deal of their existing electric generating capacity was wiped out in the western part of the country which was invaded by the Germans. But in the meantime, during World War II, they had built up new plants and expanded old plants in the eastern part of the country so they were up to practically prewar generation. Since the war they have progressed rapidly; last year they generated 117 billion kilowatt-hours of electricity which is, as you can see, presently almost three times the level of 1940. Now their goal apparently is about 250 billion kilowatt-hours of electricity in 1960, in other words roughly doubling their present level; and they may very well reach it by about 1960.

Of course they are emphasizing through publicity the development of hydroelectric projects and they do have some enormous ones along the Volga. Actually, if you examine their statistics, you will see that even today about 80 percent of the total electrical generating capacity is still thermal capacity, that is based on fuel rather than on hydroelectric power. I think the ratio may go down a little bit over the next few years as they open some of these new hydroelectric projects, but I think thermal power will still be the predominating element for the future.

The Russians tried a couple of years ago to give the impression that they were already using atomic power for a great and noble task. You will remember the speech by Mr. Vishinsky when he said they were using atomic power to make the desert suitable for living, to build canals, to blow up mountains, and so on. When the speech came out in "Pravda," the wording

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was changed to read, "We want to use atomic power," for these different things. What interests me is the very heavy emphasis being placed on electric power development. Enormous sums are being poured into hydro-electric power, which indicates to me that at the present time they are not very much beyond us, if up to us, in the relative backwardness in the solution of the problem of using atomic energy for power purposes. After all, why bother building vast dams and sketching out vaster dams projected for the future if 10 years from now energy will come from atomic energy? They are using electric energy just as we are and it is not for running electric toasters in the morning at all.

QUESTION: This is a balance sheet type of question. You mentioned the tremendous strides in electric generating capacity; the same way in the case of petroleum, iron ore, and coal. Now all of these increases would call for very heavy expenditures in steel and industrial capacity to produce those items. At the same time we are told that the difference between our economy and the economy of Russia is that they put so much into military production. Somewhere it looks to me, we are using the same thing in three places, expanding petroleum and transportation, giving everybody a tank and an airplane. Would you comment on the balance sheet problem?

DR. SCHWARTZ: I think you have a very salient point, I don't know who you are referring to when you say you were told that the Russians are using everything for the military. I have said something of the sort myself in the past. I have tried to say that emphasis is on direct and indirect military production. In that connection, they use steel to turn out machine tools. You don't kill anybody with machine tools except by accident, but if the machine tool would turn out a gun, what do you use a gun for? That would be indirect military production.

QUESTION: Would you call petroleum production for military use?

DR. SCHWARTZ: Yes, I would. Why? Because their production of petroleum is allocated to military use. After all, in the Soviet Union there are only about 2 or 3 million motor vehicles. A large fraction of those are in the military forces. Therefore, they don't have anything like the drain on petroleum resources that we do--what do we have, 50 million cars and trucks on the roads?

I don't see top secret stuff which makes me very happy. I don't have someone calling me in the middle of the night saying my safe is open. I feel we don't have any spies in the Kremlin who are giving us information on how many trucks or planes are being produced. I often wonder how accurate our estimates of production of direct military items are. We see estimates that they are making so many planes and tanks. I know from my own experience--as I was once engaged in that kind of pastime--there is a lot of guesswork in that. I think a lot of these estimates are

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given more to make an impression on congressional appropriations committees than they are for accurately assessing Soviet strength.

Obviously, the way we have to guesstimate does create a terrible problem, but certainly the use of the balance sheet approach--making sure we don't count a ton of steel three times and, on the other hand, we do take account of every ton of steel--is one of the basic methods of arriving at estimates. I am not as much disturbed as you might be that the heavy production of capital goods seems to conflict with direct military production because I have been pretty close to it and know that while hydroelectric projects may require a lot of manpower, they do not require a lot of steel. Remember the Russians produced 35 million tons of steel annually after the war and 25 or 30 thousand planes a year. They are able to do a lot militarily, directly or indirectly, with what seems to us in comparison to our output a small amount of resources. That point is sound.

QUESTION: In this analysis of economic potential of the East and West, have you concluded that time is not on our side?

DR. SCHWARTZ: There are, of course, a great many ambiguities in that question as you know. I wouldn't want to make a categorical statement that time is on our side or on their side. All I know is that in time all of us will be dead. But I would make this point--which is what I think you may be getting at--how is it that the rate of development of the Soviet empire is much more rapid than that of the West? Because, after all, although there is exaggeration in some of their published statistics, the basic fact remains that they are an economy which is still in a relatively lower portion of the industrial growth curve, whereas we are far up. It is much easier for them and much more likely for them to make a 10 percent annual increase in industrial production than it is for the United States to make a 10 percent increase. A 10 percent increase in steel production for them would mean 5 million tons; an increase of 10 percent for us means 10 million tons.

Probably that gap is going to continue to narrow between our military economic potential and their military economic potential. As that gap narrows, if they continue to devote as large a fraction of their resources to direct and indirect military production as they have in the past, then I think at some point well before the point at which they attain numerical equality with us, they will have attained the peak of their capabilities.

In the United States part of our steel has to be wasted in terms of making planes or cars for civilians and making spare parts for our pleasure cars on the road. Russia makes very few pleasure cars and there are so few on the road that the replacement-of-parts problem is very small. The United States problem is larger because our civilian-oriented economy does not have nearly so much military effectiveness as one would think from looking at the over-all production of steel. Therefore, the Russians with 50 million tons of steel might be able to do as much

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militarily as we could with 90 million tons unless of course--a big if-- we were to entirely reverse our mode of thinking, depress our standard of living, and really convert wholeheartedly to military production. I don't believe there is any danger of that.

There are a lot of qualifications in that answer. A lot of other aspects I haven't explored--present plans for Soviet development; strife at the top. But time is on their side in terms of narrowing the gap between us.

QUESTION: You make a very good case for the economic potential of the Soviet Union--just given a matter of time and they will be tremendously powerful. Recognizing that we can't stop the course of events any more than the National Park Service could prevent the cherry blossoms from opening and considering the fact that we can't take any military action against the Russians, that would leave us only our political goals for winning the cold war. If that is true, do you agree with that and, if so, how would you go about it?

DR. SCHWARTZ: I had the impression that last November the people elected Mr. Eisenhower to deal with these problems. I think that what you are implying is this, whether or not I agree with the containment theory of Mr. Kennon--merely sit tight, hold the fort, and erosion will take care of the imperialistic aggressiveness which the Soviet Union has had up to now.

I think in one sense we don't have any choice so long as we are not prepared to go into World War III. It seems to me in spite of political economic warfare, the only answer is World War III--put up or shut up.

I would interpret the containment policy very broadly. I think there are some things we ought to try to do that are important. Whether or not we can change the goals Moscow is pursuing, I don't know. I suspect it is largely outside our power. There is something we can do which is important, that is, to split the Soviet Union from China. The problems are so terrifying today. Why? Precisely because the industrial and technical productivity of the Soviet Union is allied with the vast manpower of China. The troops in Korea are discovering what that is today. It seems to me one of our basic foreign policy goals against any Communist goal is to split the Chinese from the Russians. How can we do that? I would not pretend to have any infallible formula, but if I may be heretic for a moment, I don't think it is going to be done by acting as though the only goal we have in life is the reconquest of China by Chiang Kai-shek.

I don't see any possibility of Chiang Kai-shek reconquering China; I wish I could. After all, there was a great hoopla a month ago-- we were now freeing Chiang Kai-shek to attack the mainland. I have seen

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no news report of any important attack. I think we are faced by a peculiar power problem. Chiang Kai-shek whom we like doesn't have the forces required. Mao has the forces. Who was it said, "If you can't lick 'em; you've got to join 'em." If we can't lick Mao, we have got to get him away from Russia over to the neutral zone. We will have to pay a high price. We have industrial resources which China needs for industrial development. The Chinese have a saying, "Shelf bullets are very effective." If we have to pay an awful high bribe to the Chinese to make them split with the Russians, let us do it. Everyone seems to base his own determination completely on the expectation that in some magic way Chiang Kai-shek is going to conquer China. I don't see any indication that he can do it. I think we have to accept Mao's rule. How do you make a deal with Mao and have him double-cross Moscow. Anyone who works out a solution to that will really be a hero.

CAPTAIN HAYES: I wonder if you would appraise the Moscow Government in Russia?

DR. SCHWARTZ: All I can say is that the crystal balls are unusually cloudy. With the warning that I am a man with a very cloudy crystal ball, I would be glad to make a few comments on it.

It seems to me that we have to base our reasoning on history in this case. In other words what happened at the time Lenin died? If you go back and think what happened in that period, you find that initially there was a great facade of unity. Mr. Stalin made a speech at Lenin's funeral in which he said, "We vow to guard the unity of the Party." All seemed to be peaches and cream despite Lenin's death. Everybody knows that Trotsky and Stalin were the two leading contenders and they had been feuding, but they presented a united front and people began to think, "Perhaps this will unify them and they will bury the hatchet over Lenin's grave." You know the hatchet was buried 22 years later in Trotsky's brain.

The boys who are at the top now came up the hard way, many of them because they helped Stalin win out over Trotsky; one man who is boss is surrounded by a group of pigmies. Malenkov doesn't have the prestige, the experience, or the security to occupy Stalin's position. It seems to me that what we have today is a kind of directorate with a number of people--Malenkov, Beria, Bulganin, and possibly Mikoyan. It seems to me that kind of directorate government is very unstable and will not be able to maintain its equilibrium under present conditions. It will break up at some point--not necessarily very shortly. It might last a year, two years, or somewhat longer.

All these guys at the top are united by two fears: One is that their own people might turn them out; the generals might turn against them. Therefore, they have to provide an example of unity among

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themselves if they are going to sell the unity argument to their own people; second, they must be genuinely concerned about the United States. We might seize this moment of transition to try to lick them militarily. That might seem ridiculous, but given the paranoid disposition of the Soviet, their fear of what might happen internally and externally, it is logical. It seems to me those fears will reside in the background if the regime remains stable. If it does not remain stable, then they will face the problem. Stalin couldn't live with people on an equal level so he got rid of them. We may expect something like that to happen in the next 5 years or perhaps 10 years at the most. Then we may discover that half the people at the top of the Soviet Union are really CIA spies. There it is. It depends on which half wins or which half loses. My only criticism of the CIA is that those guys aren't really CIA's unfortunately.

QUESTION: How much do we know about stockpiling of raw materials in the Soviet Union?

DR. SCHWARTZ: Well, I should think you ought to address that to the CIA or G2 rather than to me. I can only give you a general impression. Maybe that is all CIA can give you.

We know from the history of World War II that the Russian's preparation for that war was the development of reserves, which is a key element in Soviet policy. We also know, as the Russians themselves have said more than once, that if they had not built up large reserves--particularly of grain as well as some other commodities--they probably never could have survived the last war. I am sure that with this lesson in their minds they must have gone ahead in the postwar period to build up larger reserves. I remember as early as 1947 or 1948 a Russian official statement that they already had built up a grain reserve to a level higher than their prewar grain reserve. This was at a period when grain production was very low.

I think the Russian Government is very well aware of the importance of reserves in time of war and it calls for an enormous quantity of resources to build up a reserve. I think this would be very important if war should come. We ought to expect, if we cut the transsiberian railway, the defense areas would be able to continue operation more or less normally for an appreciable time because of a systematic policy of building up reserves and scattering them about the country as they are needed. I don't think they have ignored that. So the important problem is finding where these reserves are and bombing the h--- out of them.

CAPTAIN HAYES: Dr. Schwartz, I thank you for the people who won't see you during the rest of the day and suggest that you do not forget to say yes the next time we ask you to come down here.

DR. SCHWARTZ: Thank you very much.

(27 May 1953--350)S/sg

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