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Lecture by:

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Before Director and Faculty, A.I.C.
Planning Branch, O.A.S.W., Officers

Introduction - Colonel Alexander J. Stuart, O.D., Director, Planning
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Gentlemen, the War and Navy Departments, as you all know, are charged not only with the responsibility of procurement planning for military materials but also the plans for industrial mobilization for the country as a whole. We have inadequate means for testing these plans in peace time. It becomes of great interest to us then to determine what other countries have done where they have met problems similar to those we will probably meet here. Germany, several years ago, started in considerable measure a course in industrial mobilization. England, as you also know, is now going through what is, in a way at least, an industrial mobilization.

We are fortunate in having this morning Major Heard of the Field Artillery, who has been on military attache duty in Rome and has been in intimate contact with the conditions in central Europe. Major Heard recently gave a talk where he stressed primarily the military and political phases of the situation, and he has kindly consented this morning to talk to us on the economic phases. In other words, give us all the information he can which might be of value to us in connection with industrial mobilization and our war time problems, after which he has agreed to answer such questions as he may be able to handle without

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too much uncertainty. It gives me a great deal of pleasure to introduce Major Heard of the Field Artillery.

Major Heard:

There is a little explanation due, gentlemen. I have been in Rome recently but most of this study has been made in Germany, where I was attached to our Embassy, working under Major Truman Smith.

We are very shorthanded abroad. We need a great many officers because there is a great deal of information there. Probably the most characteristic thing one might say is that abroad today it is a soldiers' holiday. It is a heaven for soldiery because the country is keyed up to meet the soldier's demands instead of the soldier being constantly forced back to meet an industrial situation that may or may not be sympathetic to him.

In any short period of time it would be difficult to give you more than a line up of outstanding things that impressed us, but I shall endeavor to try to cover generally a picture which will show you the forest instead of the trees, and then I will try to answer your questions according to the information that we have. Please remember that information abroad today is highly secret. Everything we get from foreign governments is by trade. For everything we get a German will come right back over here and say: "We let Heard and Smith go out and see such and such, alright, we want so and so to go out and see Aberdeen." We swap back and forth like that. Their stock in trade is their tremendous national organization which is being concentrated in the best brains of the country in this

great military oligarchy. Our stock in trade means the things that we have which can possibly aid them, things they are a little behind in. So it is a question of trying to get information accurately.

The other countries of Europe have their eyes on Germany. In France and in England every time we had a talk with any of the people in charge of the bureaus, the bureau chiefs would always say. "We understand Germany is doing that.". "They are watching what Germany is doing as a nation in producing to strengthen and to fortify itself. Therefore, I want to go over rather rapidly, first, the setup with regard to what Germany is trying to do and give you a basic understanding of that. It will help somewhat to give you an idea as to some of the details. In the first place, it must be understood that in Germany what you are dealing with is something possibly different than that you read about. It is somewhat tragic that our American newspapers in their endeavor to give you all the news sometimes color it according to policies, and our great national papers have somewhat been colored in their views. You will find some very wonderful things in Germany and in central Europe under the so-called Fascist leaders which are not mentioned as of very great importance and you will find a great many things that are not important that are highly stressed. The question of religion came up - I am only going to touch on these minor situations abroad to the extent of telling you that they appear to be major here. There is no conflict in regard to religious belief. There is only conflict between types of religious parties and collection of funds and supervision thereover, and that of course creates the atmosphere which we have written about.

In Germany what you have today is really what they call a socialized state. It is socialized so much that there is no question in my mind, and I do not think in any of our diplomatic sections is there any doubt, that Germany today is not what we call a dictatorship, although it is called one. There is no question but that the vast majority of the people in Germany would support in any election with any type of ballot that you might suggest overwhelmingly the present regime. There is no question also that if Hitler should be removed by any series of events that Germany would not return to what we know as the form of democratic government that existed before the Nazi power came into control. If that is understood, you will have a different idea as to the arrangement of the people.

Germany today has accomplished a great revolution of government. There is no other word to describe it. If you can imagine a nation that advanced from a psychological period of dejection and subjugation which was very irksome and very humiliating to a race of nearly seventy million people, highly industrious, very ambitious and extremely capable and hard working, you can imagine that the psychological change is something that is obvious. The atmosphere in Germany today is one of a great deal of confidence. There is a high spirit and there is a look of courage in the faces of the man and the woman in the street that was very markedly not there four years ago. There is no question that there has been an enormous increase in confidence and an increased economic life. There is also no question about the revolution. Hitler says in his speech of last January 30, which

was the summation of his first four years in office (you are probably familiar with some of the provisions) that "so great was the revolution that the intellectual foundations are not even yet understood but superficially criticized by our contemporaries. They talk of democracies and dictatorships but they fail to grasp the fact that in this country a radical transition has taken place, has produced results that are democratic in the highest sense of the word if democracy has any meaning at all. With unfailable certainty we are steering toward an order of things in which/^{such} an order of selection will become active in the critical leadership of the nation as exists throughout the whole life in general. But this process of selection will follow the process of nature, the dictates of human reason, and those among our people who show the greatest natural ability will be appointed to the critical leadership of the nation." He also mentions the thought that there has been no revolution ever created in the history of people with so little bloodshed. It is interesting to note that there is none of the animosity and there is none of the so-called brutality that exists, we will say, today in Spain. When a nation has come to a complete about face in government, I can see the things that do occur - high tensions and a great deal of bitterness. Instead of the national socialist party being very revengeful toward the ones who were formerly antagonistic to it and in power, the former army officers of the regime, the state officials, the civil service, and all the people who were drawing pensions from the former government are still drawing them. They get their check just as regularly today as they did before. In other words, there has been a

complete turnover but there has been a great deal of sanity about it.

Some people ask directly about the so-called blood purging, in which there was occasion for certain executions. These things possibly are humane more than they are national. There came a point where there were certain very violent men who decided that they wanted to keep control of the S.S., which was the state uniform military body, as the head organization in Germany. Hitler decided that his greatest strength and power in Germany was the regular army; he made that shift, and in order to stop any further bloodshed the leaders of the conspiracy were executed. These things occur in every government. But it has brought Germany a stability, and the present oligarchy, with military control, with Marshal von Blomberg running the country, with the best brains going into the government, the party under Mr. Hitler is one which is holding the people together. He is greatly beloved, highly thought of, fanatic, if you wish, but utterly sincere, and he has not in the slightest attempt tried to profit personally from his position. Even the profits of his book "Mein Kampf", which have been tremendous due to its enormous sale, have been turned over to charity. He is a very earnest man. You can easily see the difficulties that arise when you consider what is happening in Russia today, where we have the same problem that was met four years ago in Germany - the military party has grown strong, as all military parties do has become autocratic, and they had a clash with the social and political party which brought them into power. At some time there is going to be a question of who is going to be able to reward, and the rewards of the army are on a different standard

than those of the party. Until those two things are ironed out in all governments there is no strength of government. Germany has seemingly been able to do this, and they have since that time progressed in mighty bounds.

The next thing to see in regard to Germany is the few theories of government. Germany's underlying policy is industrial control of all enterprises, leaving the business in the hands of the individual but having the government supervise all classes of commerce, industry, agriculture, and trade of all kinds, so that there is no wastage and duplication and that everything is done in accordance with what is believed the best policy. Public ownership is not sought over private ownership. They are trying to see that there is a supervision that lacks wastage. Labor is controlled by the State Bureau of Industry. That means there are no strikes of any kind permitted. In order to get a job a man has to have a labor card which will identify him as to the class of labor he does and the wages he is entitled to draw. If he quits a job he airs his differences before a committee of the Labor Department, one of the smaller committees, and if his claim is just it is adjusted immediately and the manufacturer and the labor party are both notified and he continues to work. If it is unjust and he quits his job he loses all his rights. He does not go back on the dole - he is blacklisted. He is put in a position where he is not only anti-social to his federation of labor but he is also anti-government, which is very much more serious, and the result of it is that in Germany at the present time they claim there are seven hundred thousand unemployed. I believe that is probably so, and out of that number perhaps ninety per cent are .

In the investigation of German factories today there are several things that are perfectly apparent. Labor is contented and there are excellent relations between capital and the management and the workers. There is a marked shortage of skilled labor. There is a shortage of raw materials. The shortage of raw materials is due to the fact that they have diverted such enormous quantities into the national rearmament, regrouping of the factories, and the enormous public works that they have done in the last four years. It might be well to mention here that this period of high expenditure of labor, money, and raw materials is now approaching its end. The work has been finished. The great barracks, the great regrouping of factories, the movements of large quantities of the industrial regions to other parts of Germany, which I will come to in a few minutes, has been accomplished. The prospects for Germany in the next year ought to be very much improved for further exports because they are over the hump. Conversely, in other parts of Europe, in France and England (as you know, and I will touch on that in a few minutes) they are just beginning. They feel that they are over the hard part and from now on things should improve in the nation's standard of living rather than diminish.

Another thing to remember is that there is in Germany already unemployment and sick benefits that include not only what we have in this country but also servants. For instance, a new assistant attache and his wife arrived in Berlin, and of course they had the usual trouble to get started with the situation. The wife of the attache was very much astonished one day when a card was presented to her by her maid telling

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her that so many marks went to the maid and so many marks went to the sick relief and that she was accountable to see that that sick relief fund was paid just as she must see that the maid was paid. There is a large force in Germany for giving labor a greater stake in life. There have been tremendous buildings built for labor of the highest type of modern (what we call) tenements, but they are on a standard, I believe, far higher than most of those Europe ever had and correspond very favorably with what I would call our new suburban areas. They are located out, if possible, from the former slum districts. They are surrounded by playgrounds, swimming pools, basketball courts, children's nurseries where the mothers can leave their children; under supervision of the State Department of Athletics the children are all taken care of and the family is in a position very much like it used to be in Tammany in New York - when Mrs. Jones gets sick and her husband is away a man of the party turns up and says. "What can we do for you?" You know, that kind of business. And, when that happens it is known about - you cannot drive those people out of the Nazi league. They will vote the ticket every day, that is human nature all over the world.

There are also little work areas given to each laborer out in the country. They want to revive the soil. The point is not so much that he can go out and raise radishes or turnips (he has half a hectare) but he and his family can go out there, live in a little cabin, and he can raise potatoes or orchids or whatever he wants to raise - he has a chance to get back to the soil. Thousands and thousands of German workmen have, therefore, been brought to the country.

Another point of interest to mention concerning the organization is the fact that large groups of these workers are given benefits for their work by cruises. You see them moving in what they call "strength through joy movements". Ships from the government are chartered (just as we have these West Indies cruises) and they all go off for a two weeks' tour. In other words, the laboring man in Germany has seen very definite increases in his life. The beer gardens are full and the people are full of beer. The beer is cheap and better than ever before. Music is in the air. The people are walking, the soldiers are singing, the theaters, from the Winter Garden where they have one of the best trained and best looking courses I have seen since the Flora Dora went out, up to the Grand Opera, are full every night. I have never seen such an attitude on the part of the people - they seem to be getting something out of life.

A characteristic that you can not overlook in studying Europe today is that they are producing. The whole theory of the German economic situation is to produce more; the individual should not be permitted to go off on a tangent and produce or work in a manner which is uneconomic for the country. In other words, if you have a farm and you want to raise something you ought to raise something that is in accord with the national need. That works not only from the point of view of compulsion of having that done, it works also with the effect that they make a larger number of articles, manufactured, produced, which raises the whole standard of living. There is unquestionably some price control operated. They try as far as possible to raise the standard for every one to the point

that they can buy radios, clothes, and shoes of a better quality at less price than before by increased production, and because they employ every one there is a greater demand for these products. Any nation, including our own, which should have no troubles with strikes and lockouts and doles would obviously increase its production capacity enormously. This is what you have in Germany, and it is the same in Italy, in any other of the centralized states.

The next thing to remember is that Germany has made a tremendous number of improvements in her national life. Not only is this large building program going on but there is also this enormous plan for building up the nation. The first thing I would have to mention as one of the things that is characteristic in Germany today is the fact that you see these great additions to the road system. England, as you know, has for years had a very fine old road system, which is not particularly scientific but thoroughly maintained. Germany has now begun a gigantic federal project, something like our P.W.A. Italy has also done this. You will understand as I make comments here on certain things that everything they do is not only with an eye to improving the national economic life but if you look at it you will see there has been an okey somewhere along the line by the army. Nothing is done unless the army okeys it first. Imagine yourself in a position where you are asked: "What do you want us to do? Do you want us to build that kind of a gun or this kind of a truck, or this kind of suit of clothes?" You draw up your specifications and then they call in Mr. Taylor or Mr. Schwab and say: "We want you to make this." That truck you design for carrying 155 ammunition, just a certain number of rounds to fit that perfectly, you

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will be able to use in the country, it will be delivering bread and eggs, but do not forget that it was made for 155 ammunition. Everything has been coordinated, brought together, by a central agency for the benefit of the whole.

Great highways run throughout Germany. Some look upon them along strategical lines and some along commercial lines. They, no doubt, are for both. They are two way, six lane, concrete highways with no grade crossings any where (something like you have around New York now) on which one will be able to go from one end of Germany to the other when they are completed and never have a green or red light to meet. The entire country will have about four thousand two hundred miles of these roads, and at the present time a hundred thousand men are engaged on them. They are perfectly magnificent! They anticipate that these roads, when completed, will add to the numerical German military force the equivalent of six infantry divisions.

Another thing to remember that Germany has done is to move the factories from parts of the frontier districts to a protected area which is far from their vulnerable borders. This is also being done in Russia and in Italy. They wish to remove them from bombing and interference. The great Ruhr district, which we are familiar with, has never been so busy. They are doing a land office business not only for themselves but for a great many of their neighbors: Hungary, Japan, Italy, Turkey - all the friends of the great German people are there and buying, and Germany is receiving from that, of course, the things she wants, things she is short of such as oil, copper, cotton, magnesium; certain other chemicals that she has not been able as yet to get a sufficient

supply of. This new area is located in the , Dresden, Stettin area. This region is not only very central but these new factories have been put there for the purpose of not only cutting down the amount of the industrial region by spreading it out but also from the point of view of airplane attack. In looking at the map of Europe you see that Berlin is particularly fortunately situated in regard to airplane attack in that it takes some twenty-five minutes after a ship crosses the frontier to reach Berlin and twenty-five minutes to return. Whereas Berlin is so favorably situated, Paris and London, as you know, are practically within fifteen minutes after their frontiers are crossed. Proper line, remember, makes a tremendous difference in defense. The defense of Berlin is carried out today almost as it would be in war time conditions. On an afternoon like today, at four o'clock the air whistles will all blow notifying the people that an air raid is on. The people go about their business in a most remarkable way. Every one has an assignment where to go. Every house has had all combustibles cleaned out of the top of it so that in case a bomb should hit it there would not be any trouble. It is all zoned, and the morale and discipline of the people is extraordinary. As you know, with most air raids in an organization of that sort the great trouble is usually one thing - the air raid automatically practically stops labor. If one airplane comes over and does not drop a bomb but everybody runs, leaves the factory, you can imagine the number of work hours that are immediately effected. The thing Germany is trying to avoid is any stoppage whatsoever in her industrial life by an air raid; making the discipline such that they will react

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just as we do when we hear a fire engine go by - we do not run to the window to see where the fire is as our grandfathers did.

The discipline of the people is very apparent. The fundamental characteristic of the whole system, in fact, is the discipline of the people. It is not something that is imposed on them, any one who gets that idea is wrong. It is a system that they not only like but which they believe in thoroughly. It must be remembered that the whole problem they are facing today is to rebuild in a short length of time a great nation which was very much prostrated, and they have made enormous progress in this rebuilding of industry. For instance, take the new Crup factory - this factory alone is so astounding that it makes the River Rouge plant of Ford look rather small. I went by the place four times and I found it took nearly five minutes on the express train to pass the factory. This is a great reduction plant of brown coal to gasoline and light oils. Germany has accomplished this practically without the need of imports. Germany is now self sufficient in gasoline and light oils due to her reduction plants. She has done enormous work in Ersatz of all kinds. She is making herself self contained. Rubber for all the vehicles in the army and in town, for the buses, is made by synthetic production from coal tar. The tires are unusually fine. I was highly impressed with them. Their mileage is said to be nearly triple that of our regular tires - they are more expensive. Many of these Ersatz products are more expensive, but we must remember one thing in regard to industrial mobilization in Germany and that is this: labor is not counted. Labor in Germany is a natural product of the

people who are working long hours, and they like to work. The cost of labor is not figured at any time in figuring costs, and they are trying in every possible way to reduce the number of things they have to pay for in foreign exchange. They are getting to the point where, as was said to me by one of our ambassadors, they have proved the fact to themselves and possibly to the world that they can mobilize a people without money. It is the old story of money going round and round. If you do not buy anything on the outside it is the same old thing, the check is never cashed. Like the old Townsend plan over here, everything is supposed to come back to where it starts from. I have often said that, in reading some of the speeches in Germany and some of our campaign pledges in this country (I hope this is not being taken down too closely) I some times have difficulty recognizing which is which. Of course it is socialism state controlled in which the endeavor is to bring up the standard. The great support of the people is, therefore, given to the government and a great centralized force is maintained.

The next thing I would like to mention for a few minutes is the supply system in Germany. The whole supply system of Germany is known as the Enheit. It is the same in combat, it is the basic unit. An Enheit is hard to translate because they use it in many forms. It means the basic quality or quantity which will be used in food or clothing or ammunition for any arm on a specific schedule which corresponds, we will say. to rations, or what you will. This is made up in packages, and these packages are almost invariably of the same weight. They can be multiplied or divided into the quantity that will go into a supervised made truck. The trucks are made into a certain length column,

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the columns are made to go into certain lengths of a railroad car, and the engine of the train pulls a certain number of these railroad cars. So when you ask for supplies for troops, etc., remember that these packages are made up complete and you never make any mistake. If you want a certain number of beans and sugar they are there and if you ask for a certain number of breeches the shirts are there too. They are all enclosed. The Enheit principle follows throughout. I cannot conceive of anything that we could do that would be better than that. It means that every weight of container is made for the purpose of bringing that material with maximum efficiency and minimum wastage from the manufacturing source to the consuming source. Everything is absolutely uniform. This also pertains to the soldiers training.

The next thing to remember is the airplane expansion. You have heard a great deal about that. At the present time the great aviation industry in Germany is running at full speed. You can go about the country only in uniform and with a general staff major or lieutenant colonel accompanying you. He has a Mercedes car and you go shooting over those magnificent roads. They treat you as though you have a lot more rank than you think you have and more consideration than you will ever get in your own country. That is inevitable - you are there as a representative of the United States Government. A very definite route takes in what you will see. As you go along you suddenly see an airfield started and you say to your escort: "What is that?" "I haven't the slightest idea. I was here two weeks ago and it was not there." It is growing so rapidly that any one in the country may not even have any idea of it.

I want to give you this picture - they are building so enormously. The exact figures are not available. At the present time we have an idea that there are approximately one hundred twenty-five thousand in the air force, of which twenty per cent are in the anti-aircraft force. Their manufacturing capacity is said, by no less an authority than Colonel Lindberg in 1936 when he was there, to be two and one-half times that of England or the United States. That is the state of affairs as we see it. The factories are new, they are doing a great deal of experimenting; they are overlooking no bets. There is no type of work, I understand, that Germany is not experimenting with. They produce guns and airplanes that you have never heard of - suddenly you see something brand new; you wonder who in the world ever did it; and you realize the enormous amount of trial and effort that has been expended before they arrived at the completed product.

At the present time there is an enormous aircraft industry. They are having a hard time to get the necessary number of pilots trained. They manufacture a great many more airplanes of one model the first time than we would consider desirable due to their obsolescence. First, they need them for training; second, they can melt them up and make them into new airplanes - remember, labor is never counted. An airplane is melted up and it comes back in a new model. The German upward movement in aviation is enormous and they are still expanding. The aircraft life of Germany is considered two years or less and as a result the combat value of the German air force is extremely high. In 1937 there were no airplanes of the early design of 1936. The general conclusion is that the German

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air force is far bigger than that of America or France, and it is getting better every day. They are catching up on designs, they are very anxious to watch everything in this country. The German air industry will be operated at all times very close to maximum efficiency. The thing to remember in the industrial situation is that Germany is today actually living in a mobilized industrial state. The procurement, as we understand it, is actually operating. A war time situation is now actually in effect.

Contrary to what we think, there is no great hardship on the people, and there is produced an enormous amount of products at a far less cost. It is inevitable that such a state closely knit, with a minimum of graft and loose motion will make great progress. In spite of all criticisms against certain critical factors it is inevitable that such a state must be reckoned with as an entity of strength and as a model of efficiency.

There are several things going on in Europe . Throughout all eastern Europe, in the Balkans where these little states were made after the Treaty of Versailles and have been supported mainly by French money and backing, there is a very great reduction throughout in French prestige. It is precipitous in the way it has fallen in the year. There is an enormous resurgency of German prestige. This is due not only to the fact that every one is highly impressed by this great German plan but they realize that France is no longer in a position to give them any real aid and they are smart enough to realize that they would rather play ball with the boy that is going to play it. The next thing is that Germany has no intention, as far as we can see, of any attack on France. There

is no real reason for such an attack. It is doubtful, in our opinion, whether France can move any troops to support any action in Europe outside of the defense of French soil. There are a great number of factors that hurt France such as her political and economic situations and there are a great number of factors that help the rise of Germany. The near East has a great threat to them in politics - the Bolshevik threat. Germany has set herself up as the great defenders of democracy (mark the word) against Bolshevism. As such she has become the champion. All these little nations on the border of eastern Europe are apprehensive of the propaganda and are apprehensive of their governments and their lives with such a strong anti-governmental force as Bolshevism next door. Germany is their savior, and they see it in the sense that Germany not only has the principles that they feel are sound but they feel she has the strength that they can rely upon. There are many other factors which are involved, of course. You can easily see ambitions of nations that look upon Russia as a great area where future carvings can be made. Germany, of course, can concur in that because she does not own the land and they can sit down and project as long as they like about how nice it would be to have this and that. As none of them own it, it is perfectly fine. However, there is no question about a German attack on France being out, but there is also no question of the fact that Germany will constantly attack French prestige wherever found.

The situation in the Mediterranean today has changed greatly. Great Britain has suffered the greatest setback in her prestige that she has suffered in over a hundred years. The Italian calling of her bluff

and her withdrawal from the Mediterranean was a very unpleasant blow to British prestige. The Mediterranean at the present time is well controlled by the great activities of the Italians, and the British, I believe, have admitted, as they have in London, that they have not the ability or the desire to prolong the argument further. There is a great and ambitious power in the eastern Mediterranean (such as Turkey) that is making great strides under German control. Therefore, the problem as we see it today in Europe is this tremendous rise in the great central European area and the desire of the great area there to assume a closer relationship with a growing and strong neighbor, not only economically but possibly politically.

People ask: "Will there be a war?" Who knows? If you make a guess further than six months it is not reason it is prophecy, and we who attempt to be observers do not try to be prophets. The chances are though, in my personal opinion, there will be no war in 1937, and there may be a war end.

I have taken nearly an hour, which is a little more time than I was given. I will be glad to answer any questions. Please remember, however, that it is impossible for any one to cover such a tremendous subject as Europe today where there are so many tremendous cross currents. I have tried merely to give you a picture of the forest, which is somewhat different possibly than you had. Also please remember that all these things are done by a great, determined, very capable and hard-working government that is very sincere in how it believes the people should live.

Colonel Jordan. You promised to say something about Czechoslovakia, but you did not. I would appreciate it if you would now say something about Czechoslovakia.

A. Requested off record.

Q. Can you give us just a little bit of information on the situation in Russia - whether the Bolshevik setup is as strong or possibly as great a menace as is apparently indicated by the formation of the German position to combat it?

A. The Russian situation is highly involved and I doubt if any one can sit down and make it clear with any certainty. I can give you my own views. In Russia there was a problem of consolidation between the army group and the party group. The party is still in the ascendancy. The result of it is that there is this constant suspicion or divergence in the ideology of what an army grows up to be and what the party is. The army desires, of course, to keep its individuality and its rewards. They do not desire, for instance that so and so over here be made Chief of Ordnance tomorrow because he wants the job - they would prefer to pick their own corps commanders. The party insists, on the other hand, in Russia yet (which is its weakness) on being able to reward itself through any agency of government, including an army. The army chiefs who are able obviously object to it. This so-called purging by means of execution is the Russian system of solving political problems. It is a psychology, you must understand, that any one who is against the party for twenty years in Russia is dangerous and anything that is dangerous has only one answer in Russia. The army is trying its best to create an army in contradiction

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to the party. The probabilities are that Russia will never become a great nation although it has done an unquestionably marvelous task in the education and grouping of the people and in making all sorts of improvements for one of the most difficult nations in the world. There are one hundred and fifty languages in Russia. Certain of the republics are so different in their composition, in their outlook, as are, we will say, those of the Labrador fisherman and the Indian of Yucatan, with no more understanding between them and far less communication. The army is the great force in all these nations. When Stalin can accept the army there will be a small and undoubtedly direct change in Russia toward a small centralized Fascist stage instead of a Bolshevik stage. Until that time occurs there is great danger for Russia.

Q. Do you mean from her or for her?

A. For Russia, for a division within the nation. It is a sign of weakness, of course, that there is this jealousy between the forces. Every one says there will be a Napoleon come out of Russia. Who knows? I would say that is the general situation.

Q. Looking at a tree now, when you wanted to visit a commercial plant in Germany how did you go about getting that permission?

A. Any permission of any kind is obtained by the American Bureau or Embassy or Military Attache Bureau through the by means of a letter. Nothing is given face to face. You write and say what you want to do. A most charming, affable gentleman will meet you and talk it over. He will say: "I will take it up and see what can be done." Some time later you will be told (they are not like the Russians

who will just not answer, leave you sitting there forty years) that unfortunately they are not prepared to show you this at this time but if you would like to see something else they would suggest this. You turn that over in your mind and see whether that is a direct refusal or a left-handed one. From the point of view of relations, I will assure you that at the present time in the German army headquarters they group their foreign agents in very distinct groups. In other words, the officers of the following nations are very warmly received because they are in the German good graces due to very definite critical reasons: Bulgaria, Hungary, Italy, Yugoslavia, Japan, General Franco's Spain, Sweden, and the United States. You will notice from that group that there is not a single one who is not a close ally except us. Their acceptance of us is due a good deal to the personality of the people we have had there and the fact that we are a very powerful and remote people whom they are anxious to play ball with. These people get everything that is given to any one, but they get nothing from certain sources. Every German establishment, factory, and air field has large barb wire entanglements around it and there are signs stating "Do Not Enter Without Permission." A sentry is there to see you. It is astonishing to me to come back to Washington and be able to walk into the Munitions Building, mill around, and say "Hello, boys," that sort of thing. In Germany you can not enter the door of the War Ministry. There is a sentry standing there with a helmet and nobody moves by him. Immediately upon coming in you ask for an appointment. You stay in the ante-room down stairs and a man will come down and conduct you with great courtesy and utmost

efficiency, but you go no where else. There are no strangers running around in Germany in the camps. When you come to a post they turn out the guards and everything is there for you - the officers give you a magnificent time. The finest blood in Germany is in the army, and the best brains. As I have said, it is a soldiers' heaven. In Germany today they will tell you that an officer is something that is well respected and highly thought of; he is in God's chosen profession; he represents the quintessence of manhood, he is the leader of the nation. Everybody is trying to get into the army. After a man serves his ^{year} and then is for two years in the army his whole ambition is to produce enough efficiency in those two years to enable him to enlist. If he is selected as a high type non-commissioned officer he is then permitted, with a great deal of ceremony, to enlist for twelve years. After he serves twelve years he has to get out. The oldest non-commissioned officers in the German army are old men of thirty-one. When they get through in the army they are assured a job for life in civil service, weights and measures, etc. The whole attitude is that everything is done for a great purpose.

In direct answer to your question, they reply to your letter, conduct you in great ceremony, and give you everything according to a very definite booksheet written out. I was informed that a certain Major and a Mercedes car and a chauffeur would call for me at seven o'clock. At six fifty-nine, bang! the door opened and there was the Major and the car in a great deal of splendor. I doubt if the White House car gets the same hand here as those cars get in Germany - those cars are known.

At exactly the time we were due to arrive we arrived; traveled one hundred twenty kilometers an hour. Those cars are marvelous, beautiful and better cars, I think, than we buy. Another thing about the cars in Germany is that no cars have permanent tops, the tops fall down to lower the silhouette and are of camouflaged canvas; windshields let down to the front; camouflaged covers for the lens - everything is done, as I have told you, for the purpose of having the fight in the picture. At the very bottom of the list (this is highly confidential), the country that sees practically nothing at all times, is Russia. The military people of Russia are hardly tolerated.

Colonel Jordan: You said that in connection with costs there they do not include the cost of labor?

A. Yes sir.

Colonel Jordan: How do they justify that? Do they not pay labor? Does labor not have to eat?

A. Yes, they pay labor, but I meant it in the sense that they consider it under the national socialist plan - that is German money. I did not mean to say they do not count it. It comes into their budget but Germany looks upon that as an asset of their own and it is classified as a different thing than the expenditures for buying nickel in Canada. Nothing costs except what comes ^{from} outside of the country into Germany. The labor cost to them is like the system of financing in this country, it goes round and round and pays back the people. In other words, they do not become poorer by working the people. The government's function is to create, as far as possible, labor and jobs. When a man does a job he is paid for it but with that pay he buys more products. The thing that

they are most anxious to stop, of course, is the buying of foreign agencies and foreign currencies. They, however, look at the national system. The Commercial Attache of the government spoke to one of our New England men on the subject of transfer of trade. He said: "We would like to buy so many thousand bales of cotton. We would like to trade you for that so many fine German watches." He happened to hit the wrong fellow. This little Yankee from New England said: "I don't want your damn watches because I happen to be a stockholder in the Waltham Watch Company." "I know, but there are so many more men in America who want watches that you do not have and we want your cotton; you do not have any use for the cotton." I think there is a national policy, watches for cotton. They do not want to spend their money for it. The Attache said: "You are not an American?" The fellow said: "No, I am a Yankee." The German, of course, cannot understand that. The distinction I wish to bring you is that it is purely and simply a question of the cost within the nation and the fact that the nation is working for the benefit of the nation. It is a new conception of government, something that I assure you I think we will study more rather than less.

Q. Would you mind discussing just a little bit more in detail the industrial control they use? For example, have they an industrial mobilization plan such as we are using? Do they allocate facilities for specific purposes, and are they centralized or decentralized?

A. They are centralized by the government. The plan is no longer a plan, it is an operation. Their industrial organization plan is working today. Their plan is the one that is going today. They look

upon it as a national plan. The soldier looks upon it as a war plan, you understand, as we do - they look upon it as a daily plan. That is the best way for a nation to get the maximum result out of labor, the maximum production, and the maximum happiness.

Q. What sort of control do they use? What is the organizational setup, central control in Berlin or decentralized to the field?

A. Central control in Berlin under each of the industries, and the form in which you want to pay for imports and exports is submitted through the so-called Relations Board of Industries, something like we would have here, for instance, the steel institute. Each one of the various difficult industries are told about here. For instance, they would like you to develop a new type of rosin. Their synthetic rosin or tar products are not as good as our natural ones, we will say; they want turpentine, alright, they call in Allied Chemical and the American Chemical Association and say: "Look here, boys, we want you to produce this on your projector. When can you produce it?" And the people report back to you here in the War Department. You are running it, you understand. Every paper of procurement runs through you. You are the national planners; they are the national producers. As I have said, it is heaven for the soldiers; that means that they have high positions. Most of the officers of Germany are very young in comparison with our officers for grade. The Colonels are perhaps forty-five; Brigadiers and Major Generals have not reached fifty years. There are no old Sergeants, not a gray haired sergeant in the army. The oldest non-commissioned officer in the army was thirty-two, just ready to retire.

Q. You explained the relation between the army and the party to a certain extent. Would you care to comment on the extent of the influence of the German General Staff on the policies of the party?

A. At the present time I consider that Germany is being run by the German General Staff. The great power in Germany today and one of the most able men in all government is Field Marshal von Blomberg. He has around him some of the most able brains in the world. It is currently whispered, and probably very correctly, that many times in the last year when there would be moments in which the party has been somewhat offensive in their language and also in their desire for action the whole thing has been carefully "piped down" by the army. He is a great stabilizing, clever, and sound thinking man, and there will be no jar in the plan as long as the army has that tremendous group of heads. It is a military oligarchy. Hitler is very shrewd in that he has given his counsel and ear to them in spite of some more less responsible elements in the party.

Q. He is sympathetic with that?

A. Yes, he had to be because when he made the decision between the S.S., the Storm Troops, the Brown Shirts, he chose the regular army, and from then on the progress of Germany was phenomenal. Elimination of waste in any nation, of course, will bring a tremendous resurgence of effort and production.

Q. Concerning this production that is going on, I understand they have raised an army of about seven hundred thousand men and have presumably equipped them. Beyond that, is this production building up a war reserve? If so, what is the basis of that?

A. Yes, there is a war reserve unquestionably being built up. The war reserve they are building up is primarily dependent upon the goods that they can not get in times of war - that is, the big war reserve. As far as manufacturing is concerned and as far as the industrial mobilization is concerned, you have an organization today that can support the field forces today. If the German troops should move to the field today there would be no disruption in the present industrial setup. They would not have to call back these men from the bench and these men from the field, these men are classified and operating. In other words, the troops can move to the field with their present commands. As I mentioned the other day, from the army point of view it is an extraordinary thing that these troops are already at war strength.

Q. Do you mean by that that the production capacity for ammunition today could take care of a change from peace to war condition and produce all the ammunition necessary?

A. If it can not, it comes very close to approximating it. In other words, their plan today is for actually doing it when it is wanted without starting to prepare. I believe that the great materiel building schedule is practically over.

They are just beginning in England with an enormous expenditure to begin this plan of industrial reorganization, building up the production to meet the present demands, rejigging and redieing the factories so they can produce. It is an enormous plan. England is spending some three hundred million a year - that is sterling.

Q. Do they actually go into acquisition of stockpiles of

material in Germany?

A. That has been done, but the whole effort is to substitute local things for imported. For instance, in the case of iron they are trying every one of the new substitutes of metallurgy. They have great deposits of aluminum in Germany and they also get aluminum from Jugoslavia and Hungary. The problem is to use metallurgy to replace important elements that they can not get. They also feel that they have to control the Baltic and from the Baltic, Sweden and Finland, there is an enormous area which they can call on that is highly sympathetic to them. In other words, their effort is to find out what they need and how to be able to get it if they are encircled again, if such should be the case. They call in the brains of the manufacturing industry, the army, the navy, and the air corps and together they work out a plan that is for the benefit of the nation.

Q. We have heard reports over here that the material that was furnished in the Spanish trouble by Germany has not stood up well - substitute materials.

A. We do not know exactly all the circumstances. From reports and from what I have read, there is every indication that the material has been poorly handled, for instance, putting it in the hands of a Spaniard who does not know much about it (seventeen or eighteen years old) who runs it off by himself. Of course they do not get the same effect as if it were handled under tactics. The tanks were knocked off, they were used very stupidly. We have a feeling though that unquestionably there was some test made. It is highly doubtful whether they used all

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their good material. Why should they put twenty-five years of secret work on a thing and allow it to be deserted by more or less half-hearted Spaniards when they get into a hole and turn it over to their enemies, who would make every effort to use it. In other words, it is highly doubtful that any of the very best material or their very best operators were used under circumstances that are not desired. After all, remember the word is "Deutschland". They are interested in their neighbors but the one thing they are interested in most is that one thing they wish to retain.

Colonel Stuart: I think it has been refreshing to all of us to hear from a qualified observer who was able to give us unbiased information straight from the source. I am sure we all enjoyed the talk this morning and I want to express our appreciation to Major Heard for his kindness in coming down here. Thank you very much.