

June 26, 1944

Stalin, Harriman and Johnston Discuss Industry and Soviet-American Relations

Citation:

"Stalin, Harriman and Johnston Discuss Industry and Soviet-American Relations", June 26, 1944, Wilson Center Digital Archive, Container 173, W. Averell Harriman Papers, Manuscript Division, Library of Congress, Washington D.C
<https://wilson-center-digital-archive.dvincitest.com/document/219944>

Summary:

Ambassador Harriman, Eric Johnston, and Marshal Stalin have a conversation about industry and U.S.- Soviet relations.

Original Language:

English

Contents:

Original Scan
Transcript - English

303

THE AMBASSADOR

Cont. 173 W. Averell Harriman papers
LOCchron

44-06-26 Stalin-Harriman-Molotov

Conversation

Moscow, June 26, 1944

Present: Marshal Stalin
Mr. Molotov
The American Ambassador
Mr. Eric Johnston
Mr. Fage
Mr. Pavlov

ans to v
6/29

Mr. Johnston opened the conversation by stating that he wished to extend to the Marshal the best wishes of the President and Secretary Hull and to say that they had the highest regard for the Marshal and wished him continued success. Marshal Stalin thanked Mr. Johnston for the message. Mr. Johnston said that he also wished to convey the best wishes of a prominent American, Mr. Henry Ford, who had great interest in the future of the Russian people. Marshal Stalin replied that he did not expect this message of greeting; however, he was happy to receive it. He said that the Soviet Union was indebted to Mr. Ford, for he had helped in the building of its tractor and automobile industries. Mr. Johnston said that Mr. Ford always desired to be of further assistance and Marshal Stalin replied: "May God preserve him!"

Mr. Johnston stated that he wished to express his thanks for the courtesies extended to him during his visit in the Soviet Union. He had become acquainted with Soviet production methods and the visit had been of great value to him. The Marshal asked why this was so -- undoubtedly industry in the United States must be more interesting. Mr. Johnston replied that perhaps this was so from the Russian point of view but none the less he was a production man and interested in what the Russians were doing. The Marshal stated that the United States had greatly assisted Soviet industry -- perhaps two-thirds of all the large plants in the Soviet Union had been constructed with American help or experience. Mr. Johnston said that he had noticed that American production methods were employed in many Soviet factories. It seemed to him, however, that the distribution of consumers' goods had failed to keep up with

production

F110
Johnston

-2-

production methods, and he believed that perhaps American chain store executives might be able to help the Russians in this respect. The Marshal replied, "Undoubtedly so, but in order to distribute there must be something to distribute." The war had naturally curtailed Soviet industry and there were great shortages of all essentials. Mr. Johnston said that he was talking about the postwar period. He believed that just as American production methods had assisted the Soviet Union before the war, likewise American experience in distributing could assist the Soviet Union after the war. The United States desired to help the Soviet Union as much as possible in this respect. The Marshal thanked him for his remarks and indicated that such assistance would be welcome.

Mr. Johnston said that the American people had great admiration and respect for the Soviet Union. Perhaps this stemmed from the American revolution. At that time the autocracies of Europe did not wish to do business with the United States and only the Russian Czar alone desired to trade with America. Marshal Stalin interjected with a smile that undoubtedly this was so because of monetary considerations. He remarked that the United States was not a country of aristocrats but democratic in spirit. During the reign of the Csars the tone had been set by the aristocrats, but the revolutionaries had destroyed all of that and now the Russians were anti-aristocratic just like the Americans. Perhaps this has brought the two countries together. The Marshal then went on to pay tribute to the assistance the Soviet Government and people had received from the United States and said that the Russian people had the highest regard for America. Mr. Johnston interjected that the Americans were rejoicing today at the Russian victories over the Germans. "And on our part," said the Marshal, "we are rejoicing over the invasion of Europe. Now Germany must realize that no large-scale war can be waged without a navy. They are fools to have attempted a great war without a fleet." The Marshal said that he had also in mind a merchant fleet which, of course, could not exist without a great navy. On the other hand, a great navy could not be developed alone, that is, without the presence of a great merchant fleet from which it draws its personnel.

Mr. Johnston stated that he wished to talk to Marshal Stalin as a business man and a producer. Both the Americans and the Russians were interested in increasing production in order that more goods for more people might be obtained. After every great war there

was always

-3-

was always a stimulation for increased production. The United States and the Soviet Union did not believe in contracting economy -- both countries loved to build new things and to continue and increase the industrial process. Mr. Johnston said that the Americans could help the Russians, in credits, for example, and he was interested in ascertaining whether the Russians desired credits for heavy industrial equipment or also for the purchase of consumers' goods. Marshal Stalin replied that the Soviet Union mainly desired heavy industrial equipment which would, in part, produce the machinery and equipment necessary to turn out essential consumers' goods. Mr. Johnston said that he felt sure that the United States would cooperate in arranging for long term credits. However, trade was a two-way highway and he was interested in knowing what the Russians would and could exchange for American goods. Marshal Stalin replied: "Whatever needed," and on further questioning mentioned pulp, timber, chrome, manganese, platinum, etc. In response to his raising the subject of gold, Mr. Johnston said that he did not know whether the United States would wish to acquire gold. Mr. Johnston continued that he believed that the Soviet Government could develop its manufacturing industry and that the United States, in addition to raw materials, could purchase certain manufactured goods from the Soviet Union. Marshal Stalin remarked that production adapted itself to requirements and that when it was known what the United States desired to purchase he felt sure that the Soviet Union could supply the desired commodities.

Mr. Johnston inquired how long it would take to complete the Soviet industrialization program. Marshal Stalin replied that this program would never terminate. Before the war there were the five-year plans, but the more commodities produced, the more commodities were needed. The first task upon the termination of the war would, of course, be rehabilitation and reconstruction. Modifications in former plans and methods of construction would have to be made for it was now found out that much that was done before the war was poorly done. Mr. Johnston inquired whether there would be future five-year plans and Marshal Stalin answered in the affirmative. Mr. Molotov interjected that there would not only be one five-year plan but a series of them. The country was large and the population had many requirements.

Mr. Johnston

-4-

Mr. Johnston inquired as to when the Soviet Union would become an exporting nation, not only of raw materials but also of manufactured goods. "Not soon," replied the Marshal. "There are too many and too great requirements domestically. Exports have never played a great role in Soviet foreign trade. In general the Soviet Government only resorts to the exporting of those goods which have a direct bearing on imports -- the exchange of raw materials for equipment, for example. The Soviet Union has never engaged in a fight for foreign markets. On the contrary it has adopted a policy of endeavoring to increase its imports." The Marshal continued that there were no great opportunities to develop an export trade and the Soviet Government would not strive for one. He remarked that the United States and Great Britain would have great foreign trade prospects after Germany and Japan had been crushed. Germany and Japan were great industrial countries but with low standards of living and it was hard for the democratic countries with their higher standards and wages to compete with countries such as Japan where the workers received barely a living minimum. The war would lead to the destruction of German and Japanese industries. This would create favorable foreign trade conditions for those countries where higher wages prevailed.

Mr. Johnston inquired as to when the Soviet steel industry would become self-sufficient. Marshal Stalin replied: "Not for some time" -- at least sixty million tons of steel and forty million tons of pig iron would have to be produced annually in order to take care of domestic needs. Before the war sixteen million tons of iron was produced annually and at the present time production averaged seven to eight million tons. Ten to twelve million tons of average quality steel were now being produced annually in comparison with twenty to twenty-two million tons before the war. When one takes into consideration the number of bridges that must be constructed and the other great tasks of rehabilitation and reconstruction, one can easily see that it will be some time before the Soviet demands for iron and steel products will be fulfilled.

Mr. Johnston said that he was interested in electric power production -- all Americans were electrically minded. He inquired as to Soviet plans in this field after the war. The Marshal said that of course the first problem was to rehabilitate what had been destroyed. He could not remember the electric power production figures -- they had been published before the war, but of course they were

considerably less

-5-

considerably less at the present time. Mr. Johnston inquired whether the Soviet Government would need technical assistance as well as equipment in the rehabilitation of this industry. Marshal Stalin replied that they would probably need both. Although Soviet engineers had learned how to build good power plants, they would without doubt be in need of technical assistance. Mr. Johnston inquired whether such assistance was envisaged with individual persons or with firms which would build the power plants and assist in their operation. Marshal Stalin replied that that depended on credits, prices, quality of equipment, terms, etc.

After a brief interlude during which Mr. Johnston jokingly referred to the "doodles" which Marshal Stalin was making with a red pencil on the writing pad in front of him, the Ambassador stated that the Vice President had been tremendously impressed by his trip through Siberia and Central Asia. He inquired whether the Marshal had received a letter from Mr. Wallace. The Marshal said that he had received the letter that day. The Ambassador said that the Vice President was especially impressed by the application of science to agricultural production and by the speed with which the farmers had learned how to apply this science. The Marshal said that the collective farm system offered great opportunities in the application of science. Under individual agricultural economy it had been impossible to introduce certain new methods, such as seed selection, but with the collective farms the Government could prescribe certain innovations which it knew were advantageous. Of course there had been resistance at first but later the collective farmers had learned the usefulness of certain scientific inventions and measures which the Government had recommended. The Marshal continued that every collective farm with 200 to 1000 hectares of land must earmark two hectares for experimental study. The Ambassador said that Mr. Wallace had stated to him that the scientific work in cotton was the finest that he had ever seen. The Marshal said that the Soviet Government was not satisfied with the results and that much more could be done in this field.

Mr. Johnston said that he would like to return to production. He said that industrial production in the United States had been steadily on the increase. For example, the per man-hour of production had increased three per cent per year during recent years and that the man-hour production had increased forty per cent since 1929. However, the American business men believe that they were "only climbing the foothills of tomorrow's production." He remarked that great opportunities

existed

-6-

existed as well in the Soviet Union, but that a very important consideration was the necessity of having markets. Lack of markets restrained production. It was not the lack of markets that caused the depression in the thirties but a lack of vision to see how American production could be used domestically. Marshal Stalin interjected that American exports before the war only amounted to ten per cent of production. Mr. Johnston said that according to his understanding exports had averaged seven per cent of production. Marshal Stalin said that this was very small when compared with British exports of forty per cent of production, which he felt was not normal but dangerous. Mr. Johnston said that it was believed in the United States that that country was only in the beginning of its industrial development. The Americans felt that the "luxuries of the princes of today should be the demands of the peasants of tomorrow." Marshal Stalin chuckled, and said that that was a very good proverb and was realizable in the United States where the production possibilities were very great. Mr. Johnston remarked that with a long period of peace similar possibilities existed in the Soviet Union. The Marshal stated that the Russians undoubtedly had many demands but they had few opportunities to fulfill them. Mr. Johnston said that with the rich material resources of the Soviet Union he firmly believed that that country had great opportunities. Marshal Stalin shook his head. Production of machinery was weak in his country, that of lathes and machine tools insignificant, and that of motor vehicles and other types of equipment badly developed. For example, before the war the Soviet Union produced a mere 350,000 to 400,000 automotive vehicles, whereas in the United States up to six million automobiles were produced annually. Just compare 400,000 with six million. Mr. Johnston said that the Soviet Union had great opportunities for expansion in this field. Marshal Stalin agreed that the prospects were great but was not sure that the necessary opportunities yet existed.

Mr. Johnston said that as a businessman he would do everything he could in the United States to see that long-term credits were secured for the Soviet Government for the purpose of purchasing American equipment. He also assured the Marshal that American business desired the development of the fullest trade and commerce with the Soviet Union in both directions. He said that for the first two or three years after the war there would be great shortages of all types of commodities all over the world. American productive capacity would be used to fill orders for these commodities. For example, there

was a

303

THE AMBASSADOR

Cont. 173 W. Averell Harriman papers
LOC

chron

44-06-26 Stalin-Harriman-Molotov

Conversation

Moscow, June 26, 1944

- Present:
- Marshal Stalin
 - Mr. Molotov
 - The American Ambassador
 - Mr. Eric Johnston
 - Mr. Page
 - Mr. Pavlov

*0.5 to 4/4
6/29*

Mr. Johnston opened the conversation by stating that he wished to extend to the Marshal the best wishes of the President and Secretary Hull and to say that they had the highest regard for the Marshal and wished him continued success. Marshal Stalin thanked Mr. Johnston for the message. Mr. Johnston said that he also wished to convey the best wishes of a prominent American, Mr. Henry Ford, who had great interest in the future of the Russian people. Marshal Stalin replied that he did not expect this message of greeting; however, he was happy to receive it. He said that the Soviet Union was indebted to Mr. Ford, for he had helped in the building of its tractor and automobile industries. Mr. Johnston said that Mr. Ford always desired to be of further assistance and Marshal Stalin replied: "May God preserve him!"

Mr. Johnston stated that he wished to express his thanks for the courtesies extended to him during his visit in the Soviet Union. He had become acquainted with Soviet production methods and the visit had been of great value to him. The Marshal asked why this was so -- undoubtedly industry in the United States must be more interesting. Mr. Johnston replied that perhaps this was so from the Russian point of view but none the less he was a production man and interested in what the Russians were doing. The Marshal stated that the United States had greatly assisted Soviet industry -- perhaps two-thirds of all the large plants in the Soviet Union had been constructed with American help and experience. Mr. Johnston said that he had noticed American production methods were employed in many factories. It seemed to him, however, that the distribution of consumers' goods had failed to keep up

production

Reproduced from the Collections of the Manuscript Division, Library of Congress

-7-

was a four to five normal year demand for American automobiles in South America and there would probably be a greater demand for many American items than American production could take care of. Marshal Stalin said that it was his understanding that after the war American industry would be demobilized and a great quantity of heavy equipment would be released. Would this include machine tools? Mr. Johnston answered in the affirmative. Marshal Stalin remarked that the task confronting the American Government was to avoid unemployment and to assist the returning soldiers in finding work, thus preventing depression. He wished to ascertain what orders could be placed in the United States so as to give employment to these returning soldiers. Mr. Johnston said that Marshal Stalin was correct in his estimation of the tasks confronting the United States and that there would undoubtedly be a period of unemployment. However, it was his personal opinion that this period would not be of a long duration but perhaps three to four months. Marshal Stalin appeared to think that a long period of depression was bound to arise after the war. Mr. Johnston continued that the three or four months period of unemployment would be taken care of by unemployment insurance. Then there would be a "boom" period of several years in which there would be a very high level of employment. In many industries it would not be possible to produce enough to fulfil domestic and foreign demands. During this period the United States would have to allocate part of its production for domestic consumption and part for foreign. This was, of course, not true of all industries. The situation would be entirely different with respect to machine tools. Mr. Johnston said that what he wanted to make sure of was that the Soviet obtained its share of that part of American production which was allocated for foreign consumption.

Marshal Stalin remarked that the United States was producing up to 100,000,000 tons of steel at the present time whereas approximately sixty million tons were produced before the war. Mr. Johnston said that the pre-war production amounted to sixty-six million tons. Marshal Stalin inquired what the United States would do with the surplus thirty odd million tons. Mr. Johnston replied that there would be a much greater export demand for all types of steel products. In addition, he wished to point out that Henry Ford had recently stated that the automobile industry in the United States would probably increase its production to 6-1/2 to 7 million automobiles a year. He also pointed out that no automobiles for civilian use had been produced during the last three years. Furthermore, the construction of houses and highways had practically stopped. For this reason there would be increased civilian demands upon the termination

of the

-8-

of the war. In addition, many new industries were springing up. Television had been perfected. It was Mr. Johnston's opinion that after the war there would be an increased industrial production in the United States comparable to after the civil war. However, a long period of peace was necessary. Mr. Johnston stated that what the United States desired to do was to cooperate with the Soviet Union in the maintenance of this peace and in the development of trade and prosperity. One matter was of great importance -- a mutual understanding of each other. The United States operates on quite a different basis than the Soviet Union. The American people must be educated how the Soviet Union works and what the Soviet Union stands for. The American press must print more articles on what is going on in the Soviet Union. In this connection, Mr. Johnston said that he thought it would be advisable if representatives of some of the great publications in the United States accompanied him on his trip to the Ural industrial area. Marshal Stalin said that he had no objections to Mr. Johnston's proposal. Mr. Johnston said that he did not know whether Mr. Molotov agreed. Mr. Molotov said that he did because Marshal Stalin had signified his approval. Marshal Stalin asked: "You didn't expect Mr. Molotov to disagree, did you?" Mr. Molotov commented: "It would have been unwise for me to do so." Marshal Stalin laughed heartily.

After a brief exchange of amenities, Mr. Johnston was about to take leave of Marshal Stalin when the Marshal said that he would like to ask a few questions regarding the forthcoming elections in the United States and to obtain Mr. Johnston's views thereon. Mr. Johnston explained that he was not a member of the Democratic Party, however, he was a friend of the President's and greatly admired him. He said that he felt that the President would be re-elected for another four years. However, the House of Representatives would be Republican. In this eventuality, it would be more difficult than previously for the President to carry through his desires. Mr. Johnston pointed out that there were two legislative bodies in the United States, the Senate and the House, and that the Democratic Party would probably continue to have a majority in the Senate. As Marshal Stalin knew, the Senate affirms all treaties. Mr. Johnston stated that in his opinion President Roosevelt would not make the mistakes President Wilson had made after the last war in not consulting the members of the Senate before the Versailles Treaty. Secretary Hull had already consulted the Senate on postwar aims and the position of the United States after the war.

In Mr. Johnston's

-9-

In Mr. Johnston's opinion the majority of the people in the United States were with the President on his foreign policy. With respect to domestic matters, the President would have trouble but he was strong and was used to it. After the war the President's aims and purposes would be carried out for these aims and purposes were supported by the majority of the people in the United States, including himself. Marshal Stalin thanked Mr. Johnston for his views which he said were not "the standard press views." Mr. Johnston inquired whether the Ambassador agreed with what he had said. Mr. Harriman stated that Mr. Johnston had given a good estimate of the situation and that according to his opinion the majority of the people would back the President on his foreign policy. He felt the President would be elected. However, he was not sure that he agreed with Mr. Johnston on the future composition of the House.

Some comment was then made on the American press and radio in connection with the elections. It was pointed out that although the majority of the press had never supported the President since 1932 he had always been elected.

Marshal Stalin stated that his colleagues were very interested in the American elections and some were worried lest the President be not re-elected. He said that the question of credits and Soviet orders in the United States had been discussed and that probably some agreement would be made on the matter. However, this could not be done without the approval of the American Government. The Russians believe that industry and commerce were of primary importance -- however, political relations are equally so. The Russians know the present United States leaders and have a common language with them. Cooperation has been established and it was not certain what would happen if the President is not re-elected. This explains some of the uneasiness which existed among Marshal Stalin's colleagues. Credits and economic agreements could not be considered as entirely independent from the political party in power and the Soviet Government remembered with some apprehension President Hoover and the status of Soviet-American relations during his administration. However, the Marshal stated that he was very glad to obtain Mr. Johnston's objective point of view on the elections. Mr. Johnston reiterated that he believed that the majority of the American people would elect the President on his foreign and not domestic policy, especially now when the war was terminating successfully. Marshal Stalin remarked that foreign policy should decide everything during war and that domestic policy should adjust itself to it while a war is in progress.

-10-

Mr. Johnston pointed out that there were many prominent individuals in the Republican Party who admired Marshal Stalin and who wished to cooperate with the Soviet Union. The Marshal remarked that at the same time there were many hostile elements and again referred to President Hoover. Mr. Johnston stated that conditions and people change. Mr. Harriman pointed out that regardless of the political party in power he felt sure that credits for the Soviet Union after the war would be approved. Marshal Stalin remarked that this would have to be proved. Ambassador Harriman stated that even in the event of the election of a man with less vision than President Roosevelt he felt sure that Russian credits would be obtained. He too pointed out that there were good Republicans, such as Secretary Stimson and Knox. He himself was a Republican at one time but left the party because of foreign policy and he could not vote for Mr. Hoover.

The Marshal inquired as to the present status of Mr. Willkie. Mr. Johnston said that he was still a member of the Republican Party but that he was no longer a candidate for President. Although Mr. Willkie had done some foolish things, he was nevertheless a great friend of the Soviet Union and had in many respects been an element of harmony between the Republican and Democratic Parties on foreign policy. Mr. Johnston said that he had seen Mr. Willkie before he had left and that Mr. Willkie had spoken very highly of Marshal Stalin and sent his best regards. The Marshal said laughingly that Mr. Willkie must be displeased with the Soviet press. Mr. Johnston said that even the American press had attacked him at times and that he felt sure that Mr. Willkie did not feel badly over the Soviet press attack.

Mr. Johnston said that he wished to assure Marshal Stalin that on his return he would endeavor to help in every way possible to develop cooperation between the Soviet Union and the United States. The war had proved that each country needed each other and this would be especially true after the war. Mr. Johnston inquired whether it would be appropriate to ask Marshal Stalin to permit him to quote the Marshal as making remarks along the following lines:

"American business and American labor has done a remarkable job of production for the war. American agriculture has also performed unusually well. American machines of war and American food have contributed to the successes of the Red Army in its victories. The American Government has played a great role in the development of American production and in the fostering of cooperation between our two countries."

After

-11-

After it was made clear that Mr. Johnston did not desire the Marshal to make a formal statement to the press but rather to be quoted as making the above remarks in the course of the conversation, the Marshal said that Mr. Johnston could publicly attribute these remarks to him. He said he wished to point out, however, that the same could be said of the British and Canadians and that upon a suitable occasion he would mention the three countries in this respect.

Upon the termination of the conversation motion pictures and photographs were taken of Marshal Stalin, Mr. Molotov, the Ambassador and Mr. Johnston and friendly remarks were exchanged. The entire conversation took place in an atmosphere of real cordiality and frankness.

EP/hnw

THE AMBASSADOR

Conversation.□□□□

Moscow, June 26, 1944

Present: Marshal Stalin

Mr. Molotov

The American Ambassador

Mr. Eric Johnston

Mr. Page

Mr. Pavlov

□Mr. Johnston opened the conversation by stating that he wished to extend to the Marshal the best wishes of the President and Secretary Hull and to say that they had the highest regard for the Marshal and wished him continued success. Marshal Stalin thanked Mr. Johnston for the message. Mr. Johnston said that he also wished to convey the best wishes of a prominent American, Mr. Henry Ford, who had great interest in the future of the Russian people. Marshal Stalin replied that he did not expect this message of greeting; however, he was happy to receive it. He said that the Soviet Union was indebted to Mr. Ford, for he had helped in the building of its tractor and automotive industries. Mr. Johnston said that Mr. Ford always desired to be of further assistance and Marshal Stalin replied: "May God preserve him!"

□Mr. Johnston stated that he wished to express his thanks for the courtesies extended to him during his visit in the Soviet Union. He had become acquainted with Soviet Production methods and the visit had been of great value to him. The Marshal asked why this was so -undoubtedly industry in the United States must be more interesting. Mr. Johnston replied that perhaps this was so from the Russian point of view but none the less he was a production man and interested in what the Russians were doing. The Marshal stated that the United States had greatly assisted Soviet industry -perhaps two-thirds of all the large plants in the Soviet Union had been constructed with American help or experience. Mr. Johnston said that he had noticed that American production methods were employed in many Soviet factories. It seemed to him, however, that the distribution of consumers' goods had failed to keep up with production methods, and he believed that perhaps American chain store executives might be able to help the Russians in this respect. The Marshal replied, "Undoubtedly so, but in order to distribute there must be something to distribute." The war had naturally curtailed Soviet industry and there were great shortages of all essentials. Mr. Johnston said that he was talking about the postwar period. He believed that just as American production methods had assisted the Soviet Union before the war, likewise American experience in distributing could assist the Soviet Union after the War. The United States desired to help the Soviet Union as much as possible in this respect. The Marshal thanked him for his remarks and indicated that such assistance would be welcome.

□Mr. Johnston said that the American people had great admiration and respect for the Soviet Union. Perhaps this stemmed from the American revolution. At that time the autocracies of Europe did not wish to do business with the United States and only the Russian Czar alone desired to trade with America. Marshal Stalin interjected with a smile that undoubtedly this was so because of monetary considerations. He remarked that the United States was not a country of aristocrats but democratic in spirit. During the reign of the Czars the tone had been set by the aristocrats, but the

revolutionaries had destroyed all of that and now the Russians were anti-aristocratic just like the Americans. Perhaps this has brought the two countries together. The Marshal then went on to pay tribute to the assistance the Soviet Government and people had received from the United States and said that the Russian people had the highest regard for America. Mr. Johnston interjected that the Americans were rejoicing today at the Russian victories over the Germans. "And on our part," said the Marshal, "we are rejoicing over the invasion of Europe. Now Germany must realize that no large-scale war can be waged without a navy. They are fools to have attempted a great war without a fleet." The Marshal said that he had also in mind a merchant fleet which, of course, could not exist without a great navy. On the other hand, a great navy could not be developed alone, that is, without the presence of a great merchant fleet from which it draws its personnel.

□Mr. Johnston stated that he wished to talk to Marshal Stalin as a business man and a producer. Both the Americans and the Russians were interested in increasing production in order that more goods for more people might be obtained. After every great war there was always a stimulation for increased production. The United States and the Soviet Union did not believe in contracting economy -both countries loved to build new things and to continue and increase the industrial process. Mr. Johnston said that the Americans could help the Russians, in credits, for example, and he was interested in ascertaining whether the Russians desired credits for heavy industrial equipment or also for the purchase of consumers' goods. Marshal Stalin replied that the Soviet Union mainly desired heavy industrial equipment which would, in part, produce the machinery and equipment necessary to turn out essential consumers' goods. Mr. Johnston said that he felt sure that the United States would cooperate in arranging for long term credits. However, trade was a two-way highway and he was interested in knowing what the Russians would and could exchange for American goods. Marshal Stalin replied: "Whatever needed," and on further questioning mentioned pulp, timber, chrome, manganese, platinum, etc. In response to his raising the subject of gold, Mr. Johnston said that he did not know whether the United States would wish to acquire gold. Mr. Johnston continued that he believed that the Soviet Government could develop its manufacturing industry and that the United States, in addition to raw materials, could purchase certain manufactured goods from the Soviet Union. Marshal Stalin remarked that production adapted itself to requirements and that when it was known what the United States desired to purchase he felt sure that the Soviet Union could supply the desired commodities.

□Mr. Johnston inquired how long it would take to complete the Soviet industrialization program. Marshal Stalin replied that this program would never termination. Before the war there were the five-year plans, but the more commodities produced, the more commodities were needed. The first task upon the termination of the war would, of course, be rehabilitation and reconstruction. Modification in former plans and methods of construction would have to be made for it was now found out that much that was done before the war was poorly done. Mr. Johnston inquired whether there would be future five-year plans and Marshal Stalin answered in the affirmative. Mr. Molotov interjected that there would not only be one five-year plan but a series of them. The country was large and the population had many requirements.

□Mr. Johnston inquired as to when the Soviet Union would become an exporting nation, not only of raw materials but also of manufactured goods. "Not soon," replied the Marshal. "There are too many and too great requirements domestically. Exports have never played a great role in Soviet foreign trade. In general the Soviet Government only resorts to the exporting of those goods which have a direct bearing on imports -the exchange of raw materials for equipment, for example. The Soviet Union has never engaged in a fight for foreign markets. On the contrary it has adopted a policy of endeavoring to increase its imports." The Marshal continued that there were not great opportunities to develop an export trade and the Soviet Government would not strive for one. He remarked that the United States and Great Britain would have great foreign trade prospects after Germany and Japan had been crushed. Germany and Japan were great industrial countries but with low standards of living and it was hard

for the democratic countries with their higher standards and wages to compete with countries such as Japan where the workers received barely a living minimum. The war would lead to the destruction of German and Japanese industries. This would create favorable foreign trade conditions for those countries where higher wages prevailed.

□ Mr. Johnston inquired as to when the Soviet steel industry would become self-sufficient. Marshal Stalin replied: "Not for some time" -at least sixty million tons of steel and forty million tons of pig iron would have to be produced annually and at the present time production averaged seven to eight million tons. Ten to twelve million tons of average quality steel were now being produced annually in comparison with twenty to twenty-two million tons before the war. When one takes into consideration the number of bridges that must be constructed and the other great tasks of rehabilitation and reconstruction, one can easily see that it will be some time before the Soviet demands for iron and steel products will be fulfilled.

□ Mr. Johnston said that he was interested in electronic power production -all Americans were electronically minded. He inquired as to Soviet plans in this field after the war. The Marshal said that of course the first problem was to rehabilitate what had been destroyed. He could not remember the electric power production figures -they had been published before the war, but of course they were considerably less at the present time. Mr. Johnston inquired whether the Soviet Government would need technical assistance as well as equipment in the rehabilitation of this industry. Marshal Stalin replied that they would probably need both. Although Soviet engineers had learned how to build good power plants, they would without doubt be in need of technical assistance. Mr. Johnston inquired whether such assistance was envisaged with individual persons or with firms which would build the power plants and assist in their operation. Marshal Stalin replied that that depended on credits, prices, quality of equipment, terms, etc.

□ After a brief interlude during which Mr. Johnston jokingly referred to the "doodles" which Marshal Stalin was making with a red pencil on the writing pad in front of him, the Ambassador stated that the Vice President had been tremendously impressed by his trip through Siberia and Central Asia. He inquired whether the Marshal had received a letter from Mr. Wallace. The Marshal said that he had received the letter that day. The Ambassador said that the Vice President was especially impressed by the application of science to agricultural production and by the speed with which the farmers had learned how to apply this science. The Marshal said that the collective farm system offered great opportunities in the application of science. Under individual agricultural economy it had been impossible to introduce certain new methods, such as seed selectivization, but with the collective farms the Government could prescribe certain innovations which it knew were advantageous. Of course there had been resistance at first but later the collective farmers had learned the usefulness of certain scientific inventions and measures with the Government had recommended. The Marshal continued that every collective farm with 200 to 1000 hectares of land must earmark two hectares for experimental study. The Ambassador said that Mr. Wallace had stated to him that the scientific work in cotton was the finest that he had ever seen. The Marshal said that the Soviet Government was not satisfied with the results and that much more could be done in this field.

□

□ Mr. Johnston said that he would like to return to production. He said that industrial production in the United States had been steadily on the increase. For example, the per man-hour of production had increased three per cent per a year during recent years and that the man-hour production had increased forty per cent since 1929. However, the American business men believe that they were "only climbing the foothills of tomorrow's production." He remarked that great opportunities existed as well in the Soviet Union, but that a very important consideration was the necessity of having markets. Lack of markets restrained production. It was not the lack of markets that caused the depression in the thirties but a lack of vision to see how American production could be used domestically. Marshal Stalin interjected that American

exports before the war only amounted to ten per cent of production. Mr. Johnston said that according to his understanding exports had averaged seven per cent of production. Marshal Stalin said that this was very small when compared with British exports of forty per cent of production, which he felt was not normal but dangerous. Mr. Johnston said that it was believed in the United States that that country was only in the beginning of its industrial development. The Americans felt that the "luxuries of the princes of today should be the demands of the peasants of tomorrow." Marshal Stalin chuckled, and said that that was a very good proverb and was realizable in the United States where the production possibilities were very great. Mr. Johnston remarked that with a long period of peace similar possibilities existed in the Soviet Union. The Marshal stated that the Russians undoubtedly had many demands but they had few opportunities to fulfil [sic] them. Mr. Johnston said that with the rich material resources of the Soviet Union he firmly believed that that country had great opportunities. Marshal Stalin shook his head. Production of machinery was weak in his country, that of lathes and machine tools insignificant, and that of motor vehicles and other types of equipment badly developed. For example, before the war the Soviet Union produced a mere 350,000 to 400,000 automotive vehicles, whereas in the United States up to six million automobiles were produced annually. Just compare 400,000 with six million. Mr. Johnston said that the Soviet Union had great opportunities for expansion in this field. Marshal Stalin agreed that the prospects were great but was not sure that the necessary opportunities yet existed.

□ Mr. Johnston said that as a businessman he would do everything he could in the United States to see that long-term credits were secured for the Soviet Government for the purpose of purchasing American equipment. He also assured the Marshal that American business desired the development of the fullest trade and commerce with the Soviet Union in both directions. He said that for the first two or three years after the war there would be great shortages of all types of commodities all over the world. American productive capacity would be used to fill orders for these commodities. For example, there was a four to five normal year demand for American automobiles in South America and there would probably be a greater demand for many American items than American production could take care of. Marshal Stalin said that it was his understanding that after the war American industry would be demobilized and a great quantity of heavy equipment would be released. Would this include machine tools? Mr. Johnston answered in the affirmative. Marshal Stalin remarked that the task confronting the American Government was to avoid unemployment and to assist the returning soldiers in finding work, thus preventing depression. He wished to ascertain what orders could be placed in the United States so as to give employment to these returning soldiers. Mr. Johnston said that Marshal Stalin was correct in his estimation of the tasks confronting the United States and that there would undoubtedly be a period of unemployment. However, it was his personal opinion that this period would not be of a long duration but perhaps three to four months. Marshal Stalin appeared to think that a long period of depression was bound to arise after the war. Mr. Johnston continued that the three or four months period of unemployment would be taken care of by unemployment insurance. Then there would be a "boom" period of several years in which there would be a very high level of employment. In many industries it would not be possible to produce enough to fulfil [sic] domestic and foreign demands. During this period the United States would have to allocate part of its production for domestic consumption and part for foreign. This was, of course, not true of all industries. The situation would be entirely different with respect to machine tools. Mr. Johnston said that what he wanted to make sure of was that the Soviet obtained its share of that part of American production which was allocated for foreign consumption.

□ Marshal Stalin remarked that the United States was producing up to 100,000,000 tons of steel at the present time whereas approximately sixty million tons were produced before the war. Mr. Johnston said that the pre-war production amounted to sixty-six million tons. Marshal Stalin inquired what the United States would do with the surplus thirty odd million tons. Mr. Johnston replied that there would be a much greater export demand for all types of steel products. In addition, he wished to point out that

Henry Ford had recently stated that the automobile industry in the United States would probably increase its production to 6-1/2 to 7 million automobiles a year. He also pointed out that no automobiles for civilian use had been produced during the last three years. Furthermore, the construction of houses and highways had practically stopped. For this reason there would be increased civilian demands upon the termination of the war. In addition, many new industries were springing up. Television had been perfected. It was Mr. Johnston's opinion that after the war there would be an increased industrial production in the United States comparable to after the civil war. However, a long period of peace was necessary. Mr. Johnston stated that what the United States desired to do was to cooperate with the Soviet Union in the maintenance of this peace and in the development of trade and prosperity. One matter was of great importance - a mutual understanding of each other. The United States operates on quite a different basis than the Soviet Union. The American people must be educated how the Soviet Union works and what the Soviet Union stands for. The American press must print more articles on what is going on in the Soviet Union. In this connection, Mr. Johnston said that he thought it would be advisable if representatives of some of the great publications in the United States accompanied him on his trip to the Ural industrial area. Marshal Stalin said that he had no objections to Mr. Johnston's proposal. Mr. Johnston said that he did not know whether Mr. Molotov agreed. Mr. Molotov said that he did because Marshal Stalin had signified his approval. Marshal Stalin asked: "You didn't expect Mr. Molotov to disagree, did you?" Mr. Molotov commented: "It would have been unwise for me to do so." Marshal Stalin laughed [sic] heartily.

□After a brief exchange of amenities, Mr. Johnston was about to take leave of Marshal Stalin when the Marshal said that he would like to ask a few questions regarding the forthcoming elections in the United States and to obtain Mr. Johnston's views thereon. Mr. Johnston explained that he was not a member of the Democratic Party, however, he was a friend of the President's and greatly admired him. He said that he felt that the President would be re-elected for another four years. However, the House of Representatives would be Republican. In this eventuality, it would be more difficult than previously for the President to carry through his desires. Mr. Johnston pointed out that there were two legislative bodies in the United States, the Senate and the House, and that the Democratic Party would probably continue to have a majority in the Senate. As Marshal Stalin knew, the Senate affirms all treaties. Mr. Johnston stated that in his opinion President Roosevelt would not make the mistakes President Wilson had made after the last war in not consulting the members of the Senate before the Versailles Treaty. Secretary Hull had already consulted the Senate on postwar aims and the position of the United States after the war.

□In Mr. Johnston's opinion the majority of the people in the United States were with the President on his foreign policy. With respect to domestic matters, the President would have trouble but he was strong and was used to it. After the war the President's aims and purposes would be carried out for these aims and purposes were supported by the majority of the people in the United States, including himself. Marshal Stalin thanked Mr. Johnston for his views which he said were not "the standard press views." Mr. Johnston inquired whether the Ambassador agreed with what he had said. Mr. Harriman stated that Mr. Johnston had given a good estimate of the situation and that according to his opinion the majority of the people would back the President on his foreign policy. He felt the President would be elected. However, he was not sure that he agreed with Mr. Johnston on the future composition of the House.

□Some comment was then made on the American press and radio in connection with the elections. It was pointed out that although the majority of the press had never supported the President since 1932 he had always been elected.

□Marshal Stalin stated that his colleagues were very interested in the American elections and some were worried lest the President be not re-elected. He said that the question of credits and Soviet orders in the United States had been discussed and

that probably some agreement would be made on the matter. However, this could not be done without the approval of the American Government. The Russians believe that industry and commerce were of primary importance -however, political relations are equally so. The Russians know the present United States leaders and have a common language with them. Cooperation has been established and it was not certain what would happen if the President is not re-elected. This explains some of the uneasiness which existed among Marshal Stalin's colleagues. Credits and economic agreements could not be considered as entirely independent from the political party in power and the Soviet Government remembered with some apprehension President Hoover and the status of Soviet-American relations during his administration. However, the Marshal stated that he was very glad to obtain Mr. Johnston's objective point of view on the elections. Mr. Johnston reiterated that he believed that the majority of the American people would elect the President on his foreign and not domestic policy, especially now when the war was terminating successfully. Marshal Stalin remarked that foreign policy should decide everything during war and that domestic policy should adjust itself to it while a war is in progress.

□Mr. Johnston pointed out that there were many prominent individuals in the Republican Party who admired Marshal Stalin and who wished to cooperate with the Soviet Union. The Marshal remarked that at the same time there were many hostile elements and again referred to President Hoover. Mr. Johnston stated that conditions and people change. Mr. Harriman pointed out that regardless of the political party in power he felt sure that credits for the Soviet Union after the war would be approved. Marshal Stalin remarked that this would have to be proved. Ambassador Harriman stated that even in the event of the election of a man with less vision than President Roosevelt he felt sure that Russian credits would be obtained. He too pointed out that there were good Republicans, such as Secretary Stimson and Knox. He himself was a Republican at one time but left the party because of foreign policy and he could not vote for Mr. Hoover.

□The Marshal inquired as to the present status of Mr. Willkie. Mr. Johnston said that he was still a member of the Republican Party but that he was no longer a candidate for President. Although Mr. Willkie had done some foolish things, he was nevertheless a great friend of the Soviet Union and had in many respects been an element of harmony between the Republican and Democratic Parties on foreign policy. Mr. Johnston said that he had seen Mr. Willkie before he had left and that Mr. Willkie had spoken very highly of Marshal Stalin and sent his best regards. The Marshal said laughingly that Mr. Willkie must be displeased with the Soviet press. Mr. Johnston said that even the American press had attacked him at times and that he felt sure that Mr. Willkie did not feel badly over the Soviet press attack.

□Mr. Johnston said that he wished to assure Marshal Stalin that on his return he would endeavor to help in every way possible to develop cooperation between the Soviet Union and the United States. The war had proved that each country needed each other and this would be especially true after the war. Mr. Johnston inquired whether it would be appropriate to ask Marshal Stalin to permit him to quote the Marshal as making remarks along the following lines:

□"American business and American labor has done a remarkable job of production for the war. American agriculture has also performed unusually well. American machines of war and American food have contributed to the successes of the Red Army in its victories. The American Government has played a great role in the development of American production and in the fostering of cooperation between our two countries."

□

□After it was made clear that Mr. Johnston did not desire the Marshal to make a formal statement to the press but rather to be quoted as making the above remarks in the course of the conversation, the Marshal said that Mr. Johnston could publicly attribute these remarks to him. He said he wished to point out, however, that the same could

be said of the British and Canadians and that upon a suitable occasion he would mention the three countries in this respect.

□ Upon the termination of the conversation motion pictures and photographs were taken of Marshal Stalin, Mr. Molotov, the Ambassador and Mr. Johnston and friendly remarks were exchanged. The entire conversation took place in an atmosphere of real cordiality and frankness.

EP/hnw