

Stalin Conf. files

TRANSCRIPT (PARAPHRASED) OF CONFERENCE BETWEEN GENERALISSIMO STALIN AND MR. STASSEN APRIL 9, 1947 (11:00 - 12:20 p.m.). PRESENT WERE: MESSRS. MOLOTOV, PAVLOV (INTERPRETER), COOKE, and MATTESON.

after preliminary remarks of greeting particularly

HES: On this European trip of mine, I am interested in studying conditions of an economic nature. In this regard, the relations between the US and the USSR are very important. I realize that we have two economic systems that are different. The USSR with its planned economy and socialized state and the US with its free economy and regulated capitalism are very different. I would be interested to know if you think these two economic systems can exist together in the same world and cooperate with each other?

in harmony

S: Of course they can. The difference between them is not of essential importance so far as cooperation. The systems in Germany and the US are the same but war broke out between them. The US and USSR systems are different but we didn't wage war against each other and the USSR does not propose to. If during war they could cooperate, why can't they today in peace? Given the wish to cooperate, of course, but if there is no desire to cooperate even with the same economic systems, they may fall out as was the case with Germany.

where made

HES: Of course they can cooperate if they have the desire to, but there have been many statements about not being able to, such as those by Generalissimo before the war. But is it now possible that the Fascist countries have been defeated?

Answer of question: Japan

both

Compromise?

Answer

S: It's not possible that I could have said that the two economic systems could not cooperate. Those ideas were expressed by Lenin. I might have said that one system was reluctant to cooperate, but that concerned only one side. But as to the possibility of cooperation, I adhere to Lenin who expressed both the possibility and the desire of cooperation. As to the desire of the people to cooperate on the part of the USSR and the Party, it is possible - and the two countries will benefit only by this cooperation.

by 1939 and the Plenary Session 1937

HES: That is clear. The statements I refer to are those made by you at the 18th Party Congress - statements about "capitalist encirclement" and "monopoly". I assume that your statement about the defeat of Fascist Germany and Japan have now changed that situation.

S: There was not a single Party Congress or plenary session at which I could have said cooperation between the two systems was ruled out. I might have said there was encirclement and danger of attack but it's a question of desire or lack of desire on the part of one country and if there is no desire to cooperate then there is a danger. For example, concerning the time when the Germans attacked us. That concerns the sphere of desires. We cooperated with Germany and then she attacked us. This showed she didn't want to cooperate. Otherwise, we would have cooperated with her as with any other country. One should draw the line between the possibility and the desire to cooperate. There is always the possibility but not always the desire to cooperate. And if one country decides not to want to cooperate, then war is

the result.

HES: It must be mutual.

S: Yes. I want to bear testimony to the fact that Russia wants to cooperate.

HES: I wish to point out with reference to your earlier statement that there was a great difference between Germany and the US at the time she started the war.

S: There was a difference in government but no difference in the economic systems. The government was a temporary factor.

I don't agree there was a difference in economic systems too.
HES: ~~Yes~~ this difference of imperialism, the development of monopoly, and the oppression of workers are the evils raised by the Nazis. It seems to me we have in America been successful in preventing the monopoly of capitalism and the imperialistic trend and that workers have made greater use of the strength of the vote than either Marx or Engels thought they could make - and this regulation of monopoly makes the situation quite different from that which existed in Germany. *and progress through* *and capital*

S: Let us not criticize mutually our systems. Everyone has the right to follow the system he wants to establish. Which is better will be said by history. We should respect the systems chosen by the people and if one is good it should be chosen by the American people. To cooperate one doesn't need the same systems. One should respect the other system when approved by the people. Only on this basis can we secure cooperation. Only if we criticize, it will lead us too far. As for Marx and Engels, they were unable to foresee what would happen 40 years after their death. But we should adhere to mutual respect of people. The American people call us totalitarian. Our people call the American system a monopoly capitalism. If we start swearing at each other, it will lead to no cooperation. We must start from the historical fact that there are two systems and then get cooperation. As to propaganda, I am not a propagandist but a business-like man. We should not be sectarians. When the people wish to change the systems they will do so. When we met with Roosevelt to discuss the questions of war, we didn't call each other names. We established cooperation and succeeded in defeating the enemy. *manifested after the*

HES: Yes, that sort of criticism has been the cause of war. Do you look forward in the future to greater exchange of ideas, of students and teachers, of artists, of tourists, if there is cooperation?

S: This will happen inevitably if cooperation is established. For an exchange of goods will lead to an exchange of people.

HES: Some problems have arisen in the past between us because of a lack of desire on your part to exchange ideas - like the censorship of our foreign correspondents here, and the lack of *refusal*

a New York Herald Tribune correspondent here have contributed to a lack of understanding between our peoples.

S: That is true about the New York Herald Tribune. Most American correspondents have an ill mood towards us. But this Herald Tribune case is an accident. It is an outstanding newspaper. It's an accident and not our policy.

HES: It is a leading Republican newspaper and one that assumes even greater importance now that the Republicans have a majority in Congress.

S: It is all the same to us. We don't see any ^{big} difference between the Republicans and the Democrats. We held a conference ^{at Teheran} where good work was done by us in a friendly atmosphere. Yet one correspondent said Marshal Timoschenko was present and that I struck Marshal Timoschenko at dinner - but this ^{is} a childlike fabrication and are we supposed to praise this correspondent? There were witnesses such as Churchill, Beaverbrook (?), etc. there who saw that no such thing happened. We celebrated the 69th birthday of Churchill at that dinner. Are we expected to trust such correspondents? We don't think US is to blame but such things happen and create ill-feeling.

HES: ^{There are} ~~are~~ correspondents who make such mistakes but the other correspondents correct this mistake and the people learn to know who are reliable and who are not reliable and so we find the people uniting in a great war effort.

S: That is true.

HES: Whenever a newspaper correspondent makes a clearly ^{intentionally} incorrect statement, his newspaper will recall him and that newspaper ^{then} will make out an able, fair staff of correspondents.

S: In the beginning they write sensational stories, make money on them, and publish them. ^{then for the world?}

HES: Foreign trade, ^{press} ~~papers~~, cultural exchange are places where the two systems must find ways of fitting together.

S: That is true.

HES: I feel that if stories came out without censorship, it would ^{be} facts and be a better basis for cooperation and understanding by our peoples than any other basis.

S: It will be difficult in our country to dispense with censorship. Molotov tried to do it several times. We had to resume it and each time we repented it. Two years ago in the autumn censorship was repealed. I was on leave and they started to write stories that Molotov forced me to go on leave and then they wrote stories that I should return and fire him. These stories depicted the USSR as a sort of zoological garden. Of course our people got angry and they had to resume censorship.

H: As I see it then, you think it is possible that there be cooperation provided that there is a will and desire to cooperate?

S: That is quite correct.

internationally
HES: In the development of the standard of living, mechanization and electrification are of great importance and the new development of atomic energy is of great importance to all peoples of the world. I feel that the matter of inspection, controls, and outlawing for war the use of atomic energy is of great importance to all peoples of the world. Do you feel that there is reasonable prospect of working out agreements in the longterm future for the development of atomic energy?

S: I hope for this. There are big differences of views among us but in the long run I hope we shall come to an agreement. International control and inspection will be established in my view and it will be of great importance. The peaceful use of atomic energy will bring great technological changes. It is a very great matter. As for the use of atomic energy for war purposes, it will be a problem in the long run that will be met by the consciences of the people and it will be prohibited.

HES: Yes that is one of our important problems and if solved it can be of great aid and if not a great curse to the people of the world.

S: I think we shall succeed in establishing international inspection and control. Things are leading up to it.

HES: I appreciate the opportunity of talking with you.

S: I am at your disposal. We Russians respect our guests.

HES: I had an informal talk with Mr. Molotov at the San Francisco Conference and it developed into an invitation to visit Russia.

S: Things are in very bad shape in Europe as a whole. Is that true?

HES: Yes in general but there are some ^{countries} that are not so bad. Switzerland, Czechoslovakia, *for example*

S: That's a small country.

economic
HES: Yes large countries are in a very different position. Their ^{production and} principal problems are currency, ^{money} money, supply of food.

S: Europe is a land where there are many plants but a great lack of raw materials - the shortage of food and raw materials is the tragedy.

HES: There ^{is} low production of coal in the Ruhr ^{has caused a} shortage of coal ^{throughout} Europe.

S: Yes. It is very strange..

HES: It is fortunate that we have such large production of coal

in the US. We have shipped much to Europe. We are mining 2 million tons of coal a day.

S: Things aren't bad in the US. America is protected by two oceans. In the north there is a weak country, Canada, and to the south a weak country, Mexico, and so you need not be afraid. After the war of Independence, US didn't have another war for 60 years and that was a great help. America's population is made up of such people as fled from monarchy and tyranny and kings and landowners and that was also a great help and that is why America developed in leaps and bounds.

HES: My own grandfather fled from militarism in Czechoslovakia and, of course, the geographical position has been of great assistance to the US. And we have been fortunate that the enemy has been defeated far from our shores. We have been able to reconvert and resume great production since the war. Our problem now is to see that we don't have a depression and an economic crisis.

S: Do you expect a crisis? But also under our free economic system

HES: I do not. I believe we can regulate our capitalism and stabilize our employment at a high level without any serious crisis. But it is the main problem to avoid that development in our economic system. But with wise policies in government and learning the lessons of 1929 and the thirties, we should have a regulated, but not a monopolistic, capitalism with which we can avoid the crisis.

S: The Government must be vested with wide powers to accomplish that. The Government must be strong and adopt broad measures.

HES: Yes, and the people must understand the measures of stabilization and support of the economic system. It is a new problem as there hasn't been a parallel to it in the economic systems of the world.

S: There is one favorable condition for the US in that 2 competitors in the world market - Japan and Germany - have been wiped out. So the demand for American goods will grow and create favorable conditions for American development. Such markets as Europe, China, Japan are open to the US and will be helpful to it. No such conditions have existed before.

HES: On the other hand, those areas have no means of payment and so are a drain on us. But the removal of two imperial threats are a great boon to us and other countries of world from the standpoint of peace. And of course world trade has not in the past been a large factor to the US. Our markets have been at home or in our own hemisphere.

S: About 10% of American production was exported before the war and now also South America is also a market. As to the capacity to purchase goods, I think there are merchants who will find the capacity to pay for them and they will resell to peasants. I think the merchants of these countries have accumulated ~~xxxxxxxxxx~~ cash to pay with.

So US exports will increase to 20%, is that not correct?

HES: No.

S: Do you mean that?

HES: Yes. I think 15%. Most merchants have accumulated local money, which in most instances is blocked and not good for movement from one country to another. So ~~it won't~~ ^{it won't} be over 15%.

S: Still if you take into consideration the volume of your production that isn't a small figure.

HES: No.

S: Do American industries have a lot of orders? Is that true? And that American factories can't keep pace with them and that all factories are running at 100%? Is that true?

HES: Yes but ^{they are largely} it is largely domestic ^{orders}.

S: But that is the most important.

HES: Food, women's clothing, and shoes are catching up but in such industries ^{as} machine tools, automobiles, locomotives, they are way behind ^{then orders}.

S: Magazine analysts and the American press carry open reports to the effect that an economic crisis will break out.

HES: Yes there have been those reports in the ^{our} papers. Also reports that there would be 8 million unemployed ^{the government} after the war. But they were wrong. The problem is one of levelling off at high production and stabilizing without getting an economic crisis.

S: The regulation of production?

HES: ^{the regulation of production} Right. There are those who say there will be a depression but I am optimistic and say we can avoid a depression for I find a broader understanding by the people of regulation than before.

S: But what about business men? Will they be prepared to be regulated and restrained?

HES: No. ^{some} They will have objections.

S: Yes, they do.

HES: But they understand 1929 ^{the 1929 depression} should not be repeated and they understand better now the regulations concerning business. It requires a ^{large} great amount of regulation and decisions and ^{then} wise prompt action by the government.

S: That is true.

HES: But all systems and all forms of government require that.

If bad mistakes are made under any kind of government then it is bad.

S: Yes.

HES: Japan and Germany demonstrated this.

S: Yes, warlords guided economy and they didn't understand anything about the economy. The war leader in Japan only knew how to wage war.

HES: ~~Yes~~. I appreciate this opportunity of talking with you and and the time you have given me.

S: How long are you going to be in the USSR?

HES: I want to go to Kiev tomorrow and then to pay my respects to the gallant defenders of Stalingrad and go out by way of Leningrad. I was in the Pacific at the time of Stalingrad and followed the news of the heroic defense.

S: Admiral Nimitz was a great commander. Have you been in Leningrad?

HES: No. We are going out that way.

S: I got a lot out of this conference. You know I was forced to become a military man. I was diverted from economics.

HES: Generalissimo, *May I have a copy of Mr. Pearson's statement and* do I have your permission to speak about this conference with the newsmen when I see them?

S: Why not? There is nothing to hide.

END

Preliminary Transcript of Conference between Generalissimo Stalin and Harold E. Stassen April 9, 1947 (11:00 - 12:30 p.m.) Present were Foreign Minister Molotov, Pavlov (Interpreter), Jay Cooke and Robert Matteson.

HES: (After preliminary greetings exchanged) Generalissimo Stalin, on this European trip I am particularly interested in studying conditions of an economic nature. In this regard, of course, the relations of the USA and the USSR are very important. I realize that we have two economic systems that are very different. The USSR with the Communist Party and with its planned economy and socialized collective state and the USA with its free economy and regulated private capitalism are very different. I would be interested to know if you think these two economic systems can exist together in the same modern world in harmony with each other?

GS: Of course they can. The difference between them is not of essential importance so far as cooperation. The systems in Germany and the United States are the same but war broke out between them. The US and USSR systems are different but we didn't wage war against each other and the USSR does not propose to. If during the war they could cooperate, why can't they today in peace? Given the wish to cooperate, of course, but if there is no desire to cooperate even with the same economic systems, they may fall out as was the case with Germany.

HES: I believe, of course they can cooperate if they both have the desire to, but there have been many statements about not being able to cooperate. Some of these were made by the Generalissimo himself before the war. But is it possible now that the Fascist Axis has been defeated that the situation has changed?

GS: It's not possible that I said that the two economic systems could not cooperate. Cooperation ideas were expressed by Lenin. I might have said that one system was reluctant to cooperate, but that concerned only one side. But as to the possibility of

cooperation, I adhere to Lenin who expressed both the possibility and the desire of cooperation. As to the desire of the people to cooperate on the part of the USSR and the Party, it is possible- and the two countries will benefit only by this cooperation.

HES: That is clear. The statements I referred to are those made by you at the 18th Party Congress in 1939 and the Plenary Session in 1937- statements about "capitalist encirclement" and "monopoly." I assume from your statement now that the defeat of Fascist Germany and Japan have now changed that situation. *Capitalist encirclement*

GS: There was not a single Party Congress or Plenary Session at which I could have said cooperation between the two systems was ruled out. I might have said there was encirclement and danger of attack, but it's a question of desire or lack of desire on the part of one country and if there is no desire to cooperate then there is a danger. For example, concerning the time when the Germans attacked us. That concerns the sphere of desires. We cooperated with Germany and then she attacked us. This showed she did not want to cooperate. Otherwise we would have cooperated with her as with any other country. One should draw the line between the possibility and the desire to cooperate. There is always the possibility but not always the desire to cooperate. And if one country decides not to want to cooperate, the war is the result. *USSR*

HES: It must be mutual.

GS: Yes. I want to bear testimony to the fact that Russia wants to cooperate.

HES: I wish to point out with reference to your earlier statement that there was a great difference between Germany and the United States at the time she started the war.

GS: There was a difference in government but no difference in the economic systems. The government was a temporary factor.

HES: I do not agree. Yes there was a difference of economic systems too.

Imperialism, the development of state monopoly, and the oppression of workers are the evils of capitalism practiced by the Nazis. It seems to me we have been successful in America in preventing the monopoly of capitalism and the imperialistic trend and that the workers have made greater progress through use of the strength of their vote and freedom than Karl Marx or Frederick Engels thought they could make - and this regulation of free capital and prevention of monopoly makes the economic situation quite different from that which existed in Germany.

GS: Let us not criticize mutually our systems. Everyone has the right to follow the system he wants to establish. Which is better will be said by history. We should respect the systems chosen by the people

the system in US is
and if one is good it should be chosen by the American people. To cooperate one does not need the same systems. One should respect the other system when approved by the people. Only on this basis can we secure cooperation. Only if we criticize, it will lead us too far. As for Marx and Engels, they were unable to foresee what would happen

40 years after their death. But we should adhere to mutual respect of people. *Some system is called* The American people *and totalitarian* call us totalitarians. Our people call the American system a monopoly capitalism. If we start swearing at

each other, it will lead to no cooperation. We must start from the historical fact that there are two systems, *approved by people, only on this basis* and then get cooperation. *to criticism of criticism as to monopoly & totalitarianism. This is propaganda.* As to propaganda, I am not a propagandist but a business-like man.

We should not be sectarians. When the people wish *to* to change the systems they will do so. When *we* met with Roosevelt to discuss the questions of war, we did not call each other names. *monopoly on monopoly and totalitarian.* We established cooperation and succeeded in defeating the enemy.

HES: *from both sides* Yes, that sort of criticism has been a cause of misunderstanding after the war. Do you look forward in the future to greater exchange of ideas, of students and teachers, of artists, of tourists, if there is cooperation?

GS: This will happen inevitably if cooperation is established. For an exchange of goods will lead to an exchange of people.

Stassen
MS: Some problems have arisen between us in the past because of a lack of desire on your part to exchange ideas - like the censorship of our foreign correspondents ^{in Moscow} here. Instances also for example of the refusal of ^{admittance of} a New York Herald Tribune correspondent here have contributed to a lack of understanding between our peoples.

Generalissimo Stalin
GS: (After questioning Mr. Molotov.) That is true about the New York Herald Tribune. ^{As part of} ~~Most~~ American correspondents have an ill mood towards us. But this Herald Tribune case is an accident. It is an outstanding newspaper. It's an accident and not our policy.

Stassen
MS: (Smiling) They now have a correspondent here but only under temporary permission. It is a leading Republican newspaper and one that assumes even greater importance now that the Republicans have a majority in Congress.

Generalissimo Stalin
GS: (Smiling) It is all the same to us. We do not see any big difference between the Republicans and the Democrats. We held a conference of the Three Powers at Teheran where good work was done by us in a friendly atmosphere. Yet one ^{American} correspondent, ^{whose name I at the moment do not remember, sent a cable} said Marshal Timoshenko was present ^{when in fact he was not present,} and that I struck Marshal Timoshenko at dinner - but this was a ^{and slanderous} ~~childish~~ fabrication and are we supposed to praise this correspondent?

There were many witnesses, ^{about thirty people,} such as Churchill, Brooks, Leahy, etc, there who saw that no such thing happened. We celebrated the 69th birthday of Churchill at that dinner. ^{Nevertheless this correspondent sent this false statement} Are we expected to trust such correspondents ^{on its policy} We do not think the United States is to blame but such things happen and create ill-feelings ^{among the Soviet People.}

Stassen
MS: There are ^{instances of} ~~correspondents~~ ^{irresponsible} who make such misstatements but the other correspondents correct these misstatements and the people learn to know who are ^{reliable} ~~responsible~~ and who are not ^{reliable} ~~responsible~~, and thus we find the people understanding and uniting, as they did in the great war effort.

Generalissimo Stalin
GS: That is true.

Stassen
MS: Whenever a newspaper correspondent makes a clearly intentionally

for the Council of Foreign Ministers meeting
they have been seeking a permanent correspondent
here for some time.

Stalin Conference

incorrect statement of importance his newspaper will recall him, and thus our newspapers establish an able, fair staff of correspondents.

Generalissimo Stalin
SS: (Smiling) In the beginning they ^{correspondents write} ~~print~~ sensational stories, ^{the newspapers publish them and} make money on them, ~~publish them~~ and then fire the writers.

Stalin
HE: The Press, Foreign Trade, cultural exchange, are ^{spheres} ~~places~~ where the two systems must find ways of fitting together ^{and improving their relations.}

Generalissimo Stalin
SS: That is true.

Stalin
HE: I feel that if ^{stories} ~~stories~~ came out without censorship, it would be a better basis for cooperation and understanding by our people than any other basis.

Generalissimo Stalin
SS: It will be difficult in our country to dispense with censorship. Molotov tried to do it several times. We had to resume it and each time we repented it. ^{of 1945} Two years ago in the autumn, censorship was repealed. I was on leave and they started to write stories that Molotov forced me to go on leave and then wrote stories that I should return and fire him. These stories depicted the ^{Soviet Government} ~~USSR~~ as a sort of zoological garden. Of course ^{angry} people got angry and they had to resume censorship. (To here)

HES: As I see it then, you think it is possible that there be cooperation provided that there is a will and desire to cooperate?

GS: That is correct.

HES: In the development of the standars of living , mechanization and electrification are of great importance, and the new development of atomic energy is of very great importance to all peoples of the world. I feel that the matter of international inspection, controls, and ^{the} outlawing for war/use of atomic energy is of great importance to all peoples of the world. Do you feel that there if a reasonable prospect of working out agreements for the longterm future for the peaceful development of atomic energy?

GS: I hope for this. There are big differences of views among us but in the long run I hope we shall come to an agreement. International

control and inspection will be established in my view and it will be of great importance. The peaceful use of atomic energy will bring great technological changes. It is a very great matter. As for the use of atomic energy for war purposes, *this in all probability will be prohibited.* It will be a problem in the long run that will be met by the consciences of the people and it will be prohibited.

HES: Yes that is one of our important problems and if solved it can be of great aid and if not a great curse to the people of the world.

GS: I think we shall succeed in establishing international inspection and control. Things are leading up to it.

HES: I appreciate the opportunity of talking with you.

GS: I am at your disposal. We Russians respect our guests.

HES: I had an informal talk with Mr. Molotov at the San Francisco Conference and it developed into an invitation to visit Russia.

GS: Things are in very bad shape in Europe as a whole. Is that true?

HES: Yes, in general, but there are some countries that are not bad.

Switzerland, Czechoslovakia, -

Switzerland Czech and a small country
GS: That's a small country.

HES: Yes, large countries are in a very different position. Their principal economic problems are currency inflation, materials and production, and supply of food.

GS: Europe is a land where there are many plants but a great lack of food and raw materials- the shortage of raw materials is the tragedy.

HES: The low production of coal in the Ruhr has caused a shortage of coal throughout Europe.

shortage of
GS: Yes. It is very strange.

HES: It is fortunate that we have had such large production of coal in the United States. We have shipped much to Europe. We are mining two million tons of bituminous coal a day.

GS: Things are not bad in the United States. America is protected by two oceans. In the north there is a weak country, Canada, add to the

south a weak country, Mexico, and so you need not be afraid. After the War of Independence, the US did not have ^{more} another war for 60 years and ^{if anyone} (that ^{power} was a great help.) ^{Altman continued to rapid dev. of US} America's population is made up of such people as fled from monarchy and tyranny and kings and landowners and that was also a great help, and that is why America developed in leaps and bounds.

HES: My own great grandfather fled from the old empire militarism in what is now Czechoslovakia. Of course the geographical position has been of great assistance to the US. And we have been fortunate that the enemy has been defeated far from our shores. But also under our free economic system we have been able to rapidly reconvert and resume ~~great~~ large peacetime ~~xxxx~~ production since the war. Our problem now is to see that we do not have a depression, an economic crisis.

GS: Do you expect a crisis?

HES: I do not. I believe we can regulate our capitalism and stabilize our ~~production~~ and employment at a high level without any serious crisis. But it is the main problem to avoid ~~xxxxx~~ a depression in our economic system. With wise policies in government and through learning the lessons of 1929 and the 1930's, we should have a regulated, but not a monopolistic, capitalism with which we can avoid economic crisis.

GS: The Government must be vested with wide powers to ~~accomplish~~ that. ^{filled with great desire} The Government must be strong and (adopt broad measures.)

HES: Yes, and the people must understand the measures of stabilization, and support the economic system. It is a new problem as there has not been a parallel to our American production in the economic systems of the world.

GS: There is one favorable condition for the US in that two competitors in the world market - Japan and Germany } have been wiped out. So the demand for American goods will grow and create favorable conditions for American development. Such markets as Europe, China, Japan are open to the US and will be helpful to it. No such conditions have existed before.

HES: On the other hand, those ~~are~~ have no means of payment so are a drain on us. But the removal of two imperial militaristic threats ~~xxx~~ ^{is} a boon to us and to the other countries of the world from a standpoint of peace. And of course world trade has not in the past been a large factor in the US. Our ^{principal} markets have been at home or in our own hemisphere.

GS: About 10% of American production was exported before the war and now also South America is also a market. As to the capacity to purchase goods, I think there are merchants who will find the capacity to pay for them and they will resell to peasants. ^{in foreign countries} I think the merchants of these countries have accumulated cash to pay with. So US exports will increase to 20%, is that not correct?

HES: No.

GS: Do you mean that?

HES: Yes. I think 15%. Most merchants have accumulated only local money, which in most instances is blocked and not good for movement from one country to another. So I think our real trade will not be over 15%.

GS: Still if you take into consideration the volume of your production that isn't a ~~xxxxx~~ small figure.

HES: No:

GS: Do American industries have a lot of orders? Is that true? And that American factories can't keep pace with them and that all factories are running at 100%. Is that true?

HES: Yes, substantially, but they are largely domestic orders.

GS: But that is the most important.

HES: Food, women's clothing, and shoes, for example are catching up, but in such industries as automobiles, machine tools, locomotives, they are way behind their orders.

GS: ^{These are reports} Magazine analysts and the American press carry open reports to the effect that an economic crisis will break out.

HES: Yes there have been those reports in the papers. Also reports that there would be 8 million unemployed the year after the war, But they were wrong. The problem is one of levelling off at high production and

stabilizing without getting an economic crisis.

GS: The regulation of production?

HES: The regulation of capitalism. There are those who say there will be a depression but I am optimistic and say we can avoid a depression for I find a broader understanding by the people of regulation than before.

GS: But what about business men? Will they be prepared to be regulated and restrained?

HES: No. Some will have objections.

GS: Yes, they do.

HES: But they understand the 1929 depression should not be repeated and they understand better now the necessary regulations concerning business. It requires a careful amount of regulation and wise decisions and prompt action by the government.

GS: That is true.

HES: But all systems and all forms of government require that. If bad mistakes are made under any kind of government then it is harmful for the people.

GS: Yes.

HES: Japan and Germany demonstrated this.

GS: Yes, warlords guided the economy and they didn't understand anything ^{the} about/economy. Tojo, the war leader in Japan only knew how to wage war.

HES: I appreciate this opportunity of talking with you and the time you have given me.

GS: I got a lot out of this conference. You know I was forced ^{by necessity} to become a military man. I was diverted from economics.

HES: Generalissimo, May I have a copy of Mr. Pavlov's transcript and do I have your permission to speak about this conference with the newsmen when I see them?

GS: Why not? There is nothing to hide.

12:20 AM



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