

The Economic Club of New York

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The Economic Outlook for Russia

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PLEASE NOTE THE FOURTH SPEAKER AND PART OF THE FIFTH SPEAKER ARE  
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Introduction

General Samuel McRoberts

Ladies and gentlemen and honored guests; you have noted by the program that you have found at your plates that the discussion for this evening is “The Economic Outlook for Russia”. There will be five speakers, but the program will close at or about eleven o’clock so that the speakers will be properly restricted in the time that they will be permitted to speak to us.

Before beginning this program it is our pleasure to express by our limited means some appreciation of the man who has honored us by his presence here tonight as a guest of the Economic Club. He has said to me, “Don’t get serious,” but it is difficult not to be serious when you consider the importance of the man who has shown us this honor. He is one of the outstanding figures of the world today. It is thrilling to realize that his work has become for all time as an integral part of the history of our country. When we speak of loving our country or we speak of the sentiment of patriotism, we do not speak only of the wonderful things and magnificent things that we have built ourselves, or of the beauties of our landscape or of our magnificent mountain ranges, rivers, etc.; we really think more of the character of our own people, of their self restraint and of their generosity, of their fairness and justice in their public actions and, probably more than all, do we think of the character and the personality of those who attained a place in our history as the leaders of the nation.

This man tonight has added his little bit to the things that we have in mind when we talk of this country, when we speak of patriotism and those things we cannot help but be serious over. But in a more personal way we like this man; we like him because of his direct straight forwardness. He has never a soldier for any other purpose than being a soldier. He never commanded our armies with an eye to a place in the sun a little later on. We like him and are proud of him because he is good looking. (Laughter and applause) Being stern realists we know that that is not important, but just the same we have always warmed a little when we realize how well he looked the part. So we have been proud of him because of his manly bearing as an officer, and we are more than proud of him for the manly fine dignity that he has carried with him as a private citizen since his retirement from public service. (Applause)

So I am going to ask America's greatest living soldier, General John J. Pershing, to stand a moment or two. (Applause)

General John J. Pershing: Mr. Chairman and distinguished guests and members of the Economic Club; I feel it a very great honor to be the guest of this Club this evening and I know of no organization from which I would have accepted an invitation at this time other than the Economic Club. I have just left some very important work to come here tonight and must hurry away and get back on the job. You are reading a part of it every day. (Laughter and applause)

General McRoberts: The scheme of this program is, and I know you will all understand, that it is

in no sense a debate. It is a discussion of a subject that has a very wide interest and on which there are widely divergent opinions, and the plan is that the first speaker will give us a statement of fact rather than a statement of opinion, and it will be delivered by Mr. Vera Micheles Dean. She is on the staff of Foreign Policy Association. She was born in Russia and while she received her education here, having degrees from Radcliffe and Yale, she has made the facts as to Russia her particular study. She has published two books on the subject; is in many ways one of the best qualified persons in America to give us the facts that form the background of this discussion and I take great pleasure in introducing to the audience Mr. Dean. (Applause)

#### First Speaker

Mrs. Vera Micheles Dean

When the Soviet Government came into power in 1917 Russia was a backward and agrarian country which prior to the war had depended on the industrial states of the world for capital and manufactured goods. Eighty percent of Russia's pre-war exports consisted of grain and other agricultural products. In addition Russia exported a portion of the raw materials in which its soil abounds, such as coal, timber, oil and manganese. Two-thirds of Russia's imports consisted of industrial equipment and raw material, and the balance was composed of articles of luxury and consumers' goods. The Soviet Government, had it so desired, might have retained the existing economic system and limited itself to the introduction of agrarian reform, and to the further development of industry which had been initiated by the Czarist Government.

It feared, however, that the perpetuation of rural economy would not only endanger the maintenance of the dictatorship of the proletariat and would eventually reduce the country to little more than a colony of some one of the capitalistic states. To avert this eventuality the Soviet statesmen undertook to transform the Soviet Union from a country predominantly agricultural into one predominantly industrial.

A maximum of effort was to be devoted to the development of industry and the industrialization of agriculture. This economic transformation, according to Lenin, could be effected only under a system of planned economy which would permit the government to regulate the course of internal resources and the means of production and to plan both production and distribution over a period of years.

This system which received a preliminary trial during the years immediately following the close of the Civil War and intervention, was finally embodied in the Five-Year Plan inaugurated on October 1, 1928. This plan in turn is merely a segment of the more ambitious Fifteen-Year Plan which is now being elaborated by the Soviet Planning commission.

The economic reorganization undertaken by the Soviet Government has affected a profound alteration in the form and content of the Soviet foreign trade. The Soviet Union, like all backward agrarian countries, must import industrial machinery and semi-manufactured goods for the development of industry and agriculture. Such imports, however, are at present obtained

under abnormal conditions closely resembling barter. Foreign capitalists having been alarmed by the repudiation of debts by the Soviet Government have refused to discuss loans and have been cautious in accepting credits. At the same time Soviet currency, the major portion of which is unprotected by gold reserves, is not quoted on foreign exchanges and its export is strictly prohibited. Under the circumstances the Soviet Government must pay for all imports with foreign currency which it realizes on exports. Any increase in imports necessitates a corresponding increase in exports, even at the price of acute shortage at the home market. This rigorous control of imports and exports is made possible by the monopoly of foreign trade which the Soviet Government has exercised since 1918. This monopoly in turn is an essential feature of planned economy.

All sales and purchases, with some insignificant exceptions, are cleared through the People's Commissariat for Trade. This is responsible to the State Planning Commission and is represented abroad by trade delegations. The Commissariat naturally draws up plans of exports and imports in conformity with the economic conditions then prevailing in the Soviet Union. This plan specifies the type of quantity of goods which may be imported or exported. No goods can leave or enter the country without a license. Transactions by private individuals and firms at present constitute less than 1 percent of the total turn-over. The Soviet purchases abroad are determined and orders are placed in accordance with two main considerations; first, technical qualifications of industry in a given country to furnish the machinery and manufactured goods required by the Five-Year Plan and, secondly, the facilities for credit offered by foreign manufacturers either

alone or in cooperation with government institutions.

Soviet imports have for the past two years shown a steady increase for machinery and a decrease in imports of raw materials such as copper, which are now being produced in quantity in the Soviet Union. The collectivization of agriculture in 1930 resulted in large purchases of tractors and other agricultural machinery, chiefly in the United States. Soviet exports have increased in 1929 and 1930 over the previous year, but still fall short of the pre-war level.

Soviet exports for the past two years have been characterized by the decline of agricultural products and an increase in the export of raw materials. The collectivization and mechanization of agriculture in 1930 resulted in an exportable surplus of grain which was estimated at about six million tons or about half of the pre-war export. Manufactured goods have been exported by the Soviet Union so far only in small quantities and chiefly to border states such as Estonia, Latvia and Lithuania, and to eastern countries.

The Soviet Government claims that on completion of the Five-Year Plan agricultural exports will play an increasingly less important and industrial exports an increasingly more important part in this trade. At the present time, however, Soviet manufactured goods are poor in quality and not in a position to compete with those of western states, excepting countries where the standard of living and the purchasing capacity of the population are comparatively low.

Soviet exports for 1929 and 1930 showed an increase over the previous year, but they still fall short of the pre-war level in value. The general world decline of the prices of raw materials has hit Russia as hard as other countries, with the result that this past year the balance of trade was unfavorable to the Soviet Union.

Despite the absence of recognition the United States is today the principal source of Soviet imports, having now taken the place long occupied by Germany. During the fiscal year ending June 30, 1930, American exports to the Soviet Union aggregated \$127,000,000 or six times the value of Soviet exports to this country which were estimated at \$23,500,000. Unlike the imports by other European countries which declined during the past year Soviet imports of American goods showed a considerable increase. This increase was attributed to large purchases of electrical apparatus, automobile and transport material, particularly tractors and tractor parts.

American shipping has to some extent profited by this increase of exports to the Soviet Union, since many contracts specify export in American ships. Soviet exports to the United States increased by 24 percent in the fiscal year 1929-1930. As yet, however, they constitute less than 1 percent of total American imports. The most notable increases were shown for furs, precious metals, timber, pulp wood, anthracite coal and manganese and matches. American producers of timber, manganese and anthracite coal and matches have been alarmed by this increase of Soviet exports to this country and demand their limitation of Soviet imports comes from two principal sources, first from firms like the United States Steel Corporation and the International Paper

Company which find it advantageous to buy Soviet manganese or pulp wood either because they are better in quality or cheaper in price than domestic products and, secondly, from firms like the International Harvester Company which have secured in the Soviet Union a profitable market for their products and fear that any interference with Soviet exports to this country will curtail, if not terminate, Soviet purchase.

Organizations which demand the restriction of Soviet imports base their objections on two grounds, first, that Soviet goods are the products of forced, or at best involuntary, labor. And, secondly, that they are dumped in this country with the purpose of disorganizing the American market. Section 307 of the 1930 Tariff Act prohibits the import not only of goods produced by convict labor as did the 1922 Act, but will after 1932 prohibit the import of goods produced by forced or indentured labor as well. That the labor assigned by the Soviet Government to political exile in labor camps or elsewhere may be regarded as involuntary is readily conceded, although the conditions under which it is performed remain a matter of dispute. In a larger sense, however, all labor performed in the Soviet Union may appear involuntary from the American point of view. The tremendous efforts required by the Five-Year Plan have created an economic tension which has been justly likened to war atmosphere and has necessitated the application of labor discipline which in some cases resembles military conscription.

The industrialization of the Soviet Union has far surpassed the available supply of skilled labor and the migration of workers from urban centers to villages and from one part of the country to

another in search of better living conditions has created a shortage of labor in industries. To meet this situation the Soviet Government has discontinued unemployment doles and has drafted all unemployed persons for existing vacancies, regardless of their previous training or experience.

It is not entirely fair, however, to compare labor conditions in the Soviet Union with those in the United State. In the first place account should be taken of labor conditions in pre-war Russia which were likewise unsatisfactory from the American point of view. More important than that it must be remembered that in a socialistic colony the interests of the individual are subordinated to the welfare of the community. Wages, real wages which are represented in terms of commodities, are regarded as but a fraction of the gain accruing to the Soviet workers who are expected to find their principal reward in the consciousness of building a socialist state in which they and their children will rule as masters.

At present when a large proportion of the national income is invested in capital undertakings which have not yet become productive and consumers' goods are both scarce and expensive, Soviet real wages are below the world standard. The Soviet Government, however, claims that this condition is merely temporary and will be remedied in the future by increased production consumers' goods.

Unless the American Government decides to regard all Soviet goods as ipso facto the product of forced labor it will be faced in 1932 when the provision concerning forced labor comes into

effect, with the difficulty of determining in each case whether the particular consignment involved is or is not the product of forced labor. Regulations issued by the Treasury Department in November 1930, regarding the use of convict labor in the production of goods exported to this country place the burden of proof in each case on the importer. The importer, of course, may be expected to deny that convict or forced labor participated in the production of the particular goods consigned to him and will for the most part be actually ignorant of the conditions under which the production takes place.

It has been recently suggested that the Treasury Department request through the State Department permission to investigate labor conditions in the Soviet labor camps. Such a request, which conceivably could be granted only by the Soviet Government, would of course necessitate official intercourse with that government and would, I believe, be tantamount to recognition. It may be expected, moreover, that the Soviet Government will regard such an investigation or even its proposal as unjustifiable interference in its internal affairs. It has already so declared with regard to a similar request by the British Government. In the meantime uncertainty as to the action which the Treasury Department may take in the matter of Soviet goods coming into this country may be expected to react unfavorably not only on the import of Soviet goods but on orders placed by Amtorg in this country as well.

The advocates of the restriction of Soviet imports charge in the second place that Soviet goods are sold in this country at prices lower than the cost of production and below the prices at which

they are sold in other foreign markets. Such a practice, which is common in any number of capitalistic countries, is usually described as dumping. The Anti-dumping Act of 1921 provides that when dumping of a given article is ascertained a dumping duty shall be levied on that article. In the case of Soviet goods it is difficult, if not impossible, to ascertain the cost of production and determine whether or not dumping is actually taking place.

In a recent survey of the cost of production in the Soviet Union Mr. Knickerbocker of the Evening Post came to the conclusion that while wood, coal and oil were being sold at a loss manganese was being sold at a profit. The cost of production, however, in the Soviet Union is not comparable with the costs in other countries. The Government not only commands all the natural resources and means of production in the country which originally it took over without indemnity, but is also the sole employer of labor. Wages are fixed by the Government under non-compensatory conditions and are paid in fiat money which, for the most part, costs nothing but the paper on which it is printed. The Government is in a position to shift profits, as well, from one industrial trust to another and is not under the necessity, like a private manufacturer, of showing a net profit in each and all of its undertakings at the end of the year. It should also be pointed out, however, that the Soviet Government has eliminated such overhead costs as advertising and sales promotion and it has reduced wasteful competition to a minimum. It must be also, of course, conceded, and I think it is undoubtedly true, that Soviet trade agencies have on a number of occasions under-sold world prices. It is seriously doubted if they have done so to disorganize world markets. It is more probable that they have done so in order to realize foreign

currency on short notice for the payment of purchases abroad. Account must be taken also of inexperience in marketing.

It is very characteristic of Soviet trade agencies and of the natural desire to win new customers by timely concession. The Soviet Government is no more willing than are private exporters to suffer a loss indefinitely if it can make a profit, and claims that the expansion of credits would obviate resort to such methods in the future.

As long as Soviet foreign trade, however, is controlled by the Government any deviation by that Government from prevailing world scale of prices will probably be ascribed to political rather than economic motives. Those persons in organizations which favor the continuance and development of Soviet-American trade advocate recognition of the Soviet Government and negotiations for a Soviet loan. From a legal point of view the attitude of the American Government or the Soviet Union has been often open to criticism. Soviet trade, however, follows not the formula of recognition but the tangible advantages of commercial relations. It is doubtful, to say the least, that recognition would bring with it much more than certain facility in consular and other aids to the American merchant, unless it will be followed by expansion of credits and some form of loan.

A loan to the Soviet Government presents a number of difficulties. It may be true for the purposes of discussion that the Soviet Government itself is willing, provided it receives a

sufficient amount, to accept that close cooperation with capitalist finances and that scrutiny of its economic undertakings which any substantial loan would entail. Such a loan would probably be used for productive purposes and to that extent would stimulate trade. There is no guarantee, however, that the loan would eventually be repaid. The fact that the Soviet Government has never defaulted on short term purchases is not indicative of its attitude towards a loan. A default on short term purchases today, when the progress of the Five-Year Plan depends on the continuance of imports, would be suicidal. A default five or ten years from now on a loan when the Soviet Union may have become if not self-sufficient, at least independent, might come to be regarded as a necessary corollary of Soviet doctrine. The Soviet Government has never made a secret of the fact that it considers all international capitalists as sharks and pirates, and that their doom will be sealed when socialism comes of age. It is not unnatural under those circumstances that banking circles view the Soviet Union as a bad risk.

It is not easy to predict the future of Soviet-American trade. Any restriction which may be placed on Soviet imports will probably result in partial and total paralysis of trade. While this would have a serious effect on certain American concerns it might have even more serious repercussions on the Soviet Union, since the failure to obtain certain types of machinery would retard if not jeopardize the Five-Year Plan. Should trade proceed normally it may be expected that for some time to come Soviet purchases in this country will increase, but will change in content as the Soviet Government succeeds in producing the articles which it now imports.

The Soviet Union, once it has been supplied with foreign machinery and patents, may become an economically closed self-sufficient unit, in which case American industry which planned on expansion would be doomed to disappointment. It is conceivable; however, that once the Soviet Union has obtained the technical level of capitalistic States it will provide an important market for articles now banned as luxuries. It may be expected that very soon the Soviet Union will become a serious competitor of the United States in the export of wheat and other raw materials. Russia would become such a competitor of the United States under any other form of government, because this is based not on political but on economic situations in the Soviet Union. It may be doubted, however, that for at least a decade or two the Soviet Union will offer a serious challenge to the United States as an exporter of machinery and other manufactured goods. (Applause)

General McRoberts: The next speaker is the product of the heart of the country, having been born in Kansas and receiving his early education at the State University. He is today a professor of teaching in the Teachers College at Columbia University. He has written many books of an educational character, technical treatises, and has written one book detailing his experiences in Russia entitled "A Ford Crosses Russia". I don't know whether Mr. Ely is getting a commission for the advertising or not, but he tells me that today this gentleman has just received from the press a booklet entitled "The Challenge of the Soviet to America". It gives me great pleasure to introduce to you Professor George S. Counts of Columbia University. (Applause)

Second Speaker

Professor George S. Counts

Columbia University

Mr. President, General Pershing, members of the Club, and guests and visitors; Mrs. Dean has as the president said, give you facts. I hope that he will have no objection if I should in the course of my remarks give also a few facts and that I will not be confined altogether to opinions.

I suppose at a meeting like this, thirteen years after the Russian revolution, it is well to look back for a moment in retrospect and recall the many predictions that were made in the early days and that are still made from time to time regarding the immediate fall of the Soviet Government. We all realize that those predictions are not made now as often as they were made. We all know, furthermore, that those predictions have in the past proved false. Why did they prove false? There are, I suppose, various answers to that question. Perhaps there is a certain drive to the revolutionary movement, a certain idealism in that movement that gives it strength. But there are certain other phases of the movement and of the revolutionary structure that have developed in Russia in the last thirteen years that deserve more attention I think than they have received.

In reports of what is going on there we are prone I think to emphasize the froth and the sensational aspects of the revolution and the revolutionary movement. If there were only those things to the credit of that movement I think the Soviet Government would have fallen long ago.

So I would like at the outset this evening to direct attention to three elements in the revolutionary structure which seem to me to give it strength; three elements which in union may represent the most revolutionary of the various provisions of the revolutionary structure. I refer to the State Planning Commission, the organization of science, and the system of education and the union of these three. I wish to say a few words with regard to each of them.

Mrs. Dean has referred to the State Planning Commission. We are all familiar with the Five-Year Plan, but I suspect few of us are familiar with the instruments for planning that have developed in the Soviet Union. The great State Planning Commission, as it is called, was organized first in 1921. Since then it has undergone rapid evolution and today assumes a very complex form. In fact the term “State Planning Commission” represents an inadequate characterization of this system, because that would convey to your mind the idea of a commission, of a small group of people, who organized and developed those plans. There is, to be sure, a great State Planning Commission at the center in Moscow. But there is also a State Planning Commission at the head of each of the seven constituent republics. There is a State Planning Commission at the head of each of the autonomous areas and republics, and there is a State Planning Commission at the head of each of the great okrug, which would correspond to our states, and a State Planning Commission at the head of each okrug, which are some of the smaller divisions. A State Planning Commission connected with the various enterprises and trusts, and so on. The point that I would emphasize this evening is the fact that here there has evolved a vast system of institutions designed to do a rather unusual thing in the history of society, and that is to plan a

further evolution of institutions, not only economic institutions but educational institutions, cultural institutions. That to my mind is one of the most revolutionary of the steps taken by the Soviet Government and by the revolutionary forces in Russia.

They have developed a great Planning Commission that is designed to plan the future and to bring into some measure of control the various forces of a complex civilization. That system of planning organizations has done a number of different and interesting things. It has developed a plan for the re-regioning of the country. It has produced a new calendar. It has developed the first controlled figures of industry which are formulated at the beginning of each year. But its largest achievement was the Five-Year Plan, and I do not care to go into a discussion or analysis of that plan here this evening. I take it that you are all familiar more or less with its major provisions. But that is one part of the revolutionary structure that I think is very important.

Another one is the organization of science. Of course how that organization will compare in the course of ten or fifteen years no one can say. All I can tell you now is something about the organization that exists and something of the theory that underlies it. I think in some respects they are reorganizing scientific research on a more comprehensive scale than any other society in the world. They are reorganizing scientific research according to plan as of course they are reorganizing almost everything else. There is nothing in Russia that would correspond to the institutional autonomy that characterizes a civilization such as your own. Thus we have our great universities, each university going its own way more or less. We have great research institutions

connected with private foundations. We have great research institutions connected with industries, corporations, etc. But those different institutes themselves, those different scientific bodies, plan their work more or less independently of each other and in the case of some of the applied sciences a finding in one field or by one division in this field of science will be kept from the other divisions. In Soviet Russia they are attempting to organize a comprehensive scientific attack upon most of the problems of life and particularly the problems of industry. About 20 percent of these institutes are organized under the Commissariat of Education. The rest of them are organized under the Supreme Council on Public Economy, and there I think you may get a union of science and industry on a grand scale of a kind that we do not have.

Of course we have scientific institutes today far superior to any scientific institutes in Soviet Russia, but we are not making that comprehensive scientific attack that they are attempting. There may be weaknesses in this attack. I think it is somewhat too early to say, but again there may be points of very great strength. So you see science is being organized not only to attack the problems of today and tomorrow or of the next year or the following year, but you see there the organization on a great scale to attack problems that were developed by the Planning Commission that concern the country ten, fifteen, twenty-five and fifty years hence. I think the possibilities of that scientific attack may prove to be very great.

The third division of the revolutionary structure that we ought to look at for a moment is the system of education. The Soviet system of education is interesting in a good many respects. Of

course the thing that impresses the foreign observer at once is the breadth of the scope of that education. When you are in Russia and speak of the educational system you do not mean schools or, at least, you do not mean schools primarily. To be sure their educational system includes schools. It includes two systems of schools, one for the coming generation and one of the older generation. But it also embraces practically all of the cultural educational agencies. We all realize that the part of schools in the educative process is relatively small. That is recognized very definitely in Soviet Russia and the other cultural institutions, such as the theatre and particularly the cinema, radio, laboratory, museum, and cottage reading room, art galleries, clubs of various kinds, various departments of the press, and even a good many more formal and informal agencies that we might regard as essentially recreational in nature, these institutions form a part of this educational system and what you get in Russia today is an integrated union of this Planning System on the one hand and the educational system on the other hand.

Taking the Five-Year Plan, for example, how is that plan being carried into effect? How are they marshaling their resources to promote that plan? Through the educational system, through this whole range of institutions that affect that system. Thus the plan is being propagated everywhere by all of these agencies. When I went through Russia in 1929 I would ask the children in remote villages what the Five-Year Plan was for the purpose of finding out to what extent that plan had reached those villages, and practically wherever I went at that time I found that the plan has been pretty well propagated. Children, as well as the older people, knew something about the plan.

The educational system also is being geared to the task of training specialists, I think, as no

educational system has ever been geared to such a task in any other country.

I know of no country in the world where such stress is being placed upon the professional training institutions. In the beginning of 1929 Soviet educators were literally lying awake nights trying to devise ways and means of training the necessary number of skilled workers, technicians, and engineers, and in spite of their best efforts as you perhaps have noted from the papers they are having to import a considerable number of such trained people from other countries.

And the third large task which is being borne by the educational system is the maintenance or morale. I wish I had the time to discuss with you this evening some of the very interesting measures that are adopted to maintain the morale of the people through the period that is requiring very great sacrifices, a period which will perhaps last some years yet. I could tell you what they are doing through moving pictures, through schools with the younger children and older people, what they are doing through the organization of their shock brigades, of their socialistic competition.

Soviet Russia is peculiarly today a laboratory for social psychology so that if I were interested in social psychology I would be inclined to go nowhere else than right there because of the vast number of experiments that are being tried there with the object of releasing energy in the fulfillment of this plan.

There came to my desk about seven or eight weeks ago a very interesting document that I think tells more about Soviet Russia than any other document that I have seen and almost more than any experience that I have had in the Soviet Union. This was a little volume entitled “The Story of the Great Plan”, and it is written by a Soviet engineer who, by the way, writes like a poet and it is written for children I should imagine of thirteen or fourteen years of age. I looked into the document and I was impressed by its contents. Then I showed it to some of my colleagues and they were impressed tremendously, and so we at the Teachers College set at once to the task of translation of this little volume with the view, first, of simply having a few copies bound and placed in our library. But after the task was done we realized that here was a document of great importance, a very revealing document from the standpoint of anyone, I think, who is interested in what is happening in the Soviet Union. I have sent it to a number of book companies, four book companies, and you will be interested in knowing that three of these book companies wanted to publish it immediately and the other book company wanted to publish it but did not quite dare to do so. However, there is no doubt but it probably will be published soon. One of the editors in one of these book companies after reading it over wrote me and said that he had been reading documents on Russia, and I am not trying to promote the sales of this particular book here, but that editor said, after reading this, that although he had been reading practically everything that is coming out of Russia, he thought that this was one of the most revealing documents that he had seen.

The story of the great plan. It is revealing in several ways. It tells you a lot about the revolutionary movement. It tells you a lot about the ideals of this movement in Russia today. It is the sort of thing that is being taught to the Soviet children. It is also a very interesting document from the standpoint of technique. It was brilliantly written and the man who wrote it must have had considerable genius. I want to direct your attention towards a few of the items in this little volume. It starts out with a preface in which it tells the children in a very general way about the great plan, and I wish I had time to read that to you but I must pass on to the more important parts of it.

The first chapter is entitled “Two Countries”, and those two countries are, as you might imagine, the Soviet Union and the United States of America. The object of the book is not only to tell the children about the plan but also to explain to them the nature of the planned economy, and this first chapter is designed to do that. All of you know, I have not doubt, that the official slogan of the Five-Year Plan runs like this: “The object of this plan and other plans to follow is to enable the Soviet Union to overtake and surpass in the shortest possible historical period the most advanced capitalistic country,” and they have but one country in mind and that is the United States of American and it is therefore quite natural that the author, when he set to write this document, that he centered his efforts on comparisons between the United States and the Soviet Union.

As you might imagine these comparisons are rather favorable to the Soviet Union and rather

favorable to their theory of society, and I think one or two of the items in it would interest you.

The first item is entitled “The Project of Our Country”, and there he tells in a general way of the great project of construction under way. Then from that he goes to other items and he ends that first selection with a reference to the United States. He says America has many more factories and enterprises than we have, and then he sets out how those enterprises work. How do they work, according to some general plan? No. They work without a plan, and then he has a selection “What happens when they work without a plan”. It runs like this, and I think you might call this, “The Parable of the Hats”.

“What Happens When They Work Without a Plan?”

“Mr. Fox acquires money – one million dollars. But money must not remain idle. Mr. Fox looks through newspapers, he consults friends, he employs agent. From morning till night the agents comb the city, look about, and make inquiries.” What is to be done with the money of Mr. Fox?

“At last a business is found. Hats! That is what one should make. Hats sell; men get rich.”

“There is nothing to hesitate about. Mr. Fox builds a hat factor.”

“The same idea occurs at the same time to Mr. Pox and Mr. Crox, and Mr. Nox. And they all begin to build hat factories simultaneously.”

“Within half a year there are several new hat factories in the country. Shops are filled to the ceiling with hat boxes. Store rooms are bursting with them. Everywhere there are posters, signs, advertisements: HATS, HATS, HATS. A great many more hats are made than are needed – twice as many, three times as many. And the factories continue to work at full speed.”

“And here something happens that neither Mr. Fox, nor Mr. Pox, nor Mr. Nox, nor Mr. Crox anticipated. The public stops buying hats. Mr. Nox lowers his price 20 cents, Mr. Crox 40 cents; Mr. Fox sells hats at a loss in order to rid of them.”

“But business grows worse and worse.”

“In all of the papers advertisements appear:

You may have only one had, but

That does not mean at all that you

Should wear only one hat. Every

American should have three hats.

Buy the hats of Mr. Fox!” (Laughter)

“Mr. Fox offers to sell hats on a three-year installment plan.” (Laughter)

“Mr. Nox announces a sale:

“One for one day! Take advantage of this opportunity!”

“But this does not help. Mr. Fox lowers the wages of his workers one dollar a week. Mr. Crox lowers wages two dollars a week. Again business grows worse and worse.

“All at once – Stop! Mr. Fox closes his factory. Two thousand workers are discharged and permitted to go wherever they please. The following day the factor of Mr. Nox stops. In a week practically all hat factories are standing idle. Thousands of workers are without work. New machines grow rusty. Buildings are sold for wreckage.”

“A year or two pass. The hats bought from Nox, Fox, Pox, and Crox wear out. The public once more begins to buy hats. Hat stores become empty. From the top shelves dusty cartons are taken down. There are not enough hats. Prices on hats go up.”

“And now, not Mr. Fox, but a certain Mr. Doodle thinks of a profitable business – the building of a hat factory. The same idea also enters the heads of other wise and business-like people – Mr. Boodle, Mr. Foodle and Mr. Noodle. And the old story begins over again.

“The experience with hats is repeated with shoes, with sugar, with pig iron, with coal, with kerosene. Factories are blown up like soap bubbles and burst. One would think that people had

lost their minds.”

There are selections dealing with other comparisons, but the object is to present to these children some idea of what unplanned economy is like and, of course, he argues for planned economy. A consideration of the chapter headings might be interest.

The second chapter is called “The Scouts of the Five-Year Plan”. A very clever chapter. Who are the scouts? They are the explorers who go out into all parts of the Soviet Union and discover resources and come back and report. They are scientists who go into the laboratories and make studies, also school children who go out from their schools and study neighboring communities for the purpose of finding out what that community holds or has that would be of value in promoting this program of construction.

The third chapter is entitled “Conquerors of Their Own Country”. After the troops of scouts comes an army of conquerors, an army of workers, and he develops that thesis, and as I read this, and also as I went about Russia on my last trip, I was reminded again and again of the very famous essay by William James. Some of you, no doubt most of you, are familiar with that. It is entitled “A Moral Equivalent of War”. William James, the Harvard philosopher raised the question as to whether it might not be possible to get that discipline of energies, that devotion to the common good, that ordinarily are drawn out in times of war, and I think that here we have the effort pointing in that direction. There is an effort to organize the energies of the people there in the interest of this vast program of construction, and it makes an appeal to the people. It makes

an appeal to children. It makes an appeal to the older folks.

Some of you no doubt saw the despatch of Walter Duranty of the New York Times a week ago last Sunday in which he reported the meeting of the Congress of Young Communists in Moscow. He referred, among other things, to the great zeal developed by these young communists, youngsters from fourteen to twenty-three years of age, and he said that Moscow had seen nothing like the demonstration made by these young communists since the death of Lenin in 1924.

Something has gotten into the blood of these young communists and I think it is this:

“Conquerors of Their Own Country”. “Conquest of Water and Wind”.

This rhyme is interesting to the American teacher who is writing books for the American children because of the skill that has been developed here in the selection of phrase and diction. “Conquest of Water and Wind”, and under that such items as this, “The War with the River”, the building of a dam on the Dnieper, and a very striking thing. “River, Stand Back”. “Fire Under the Water”. How rivers smash a steel wall. Chapter 5, “The Dead Work”. “This is an electrified country.” Chapter 7, “on the March for Metal”, and such interesting items as these, and all the items are every bit as interesting – “When the multiplication table should not be used”, “hands for Kilograms: Cranes and Tons.” “Legs for Meters: Locomotives for Kilometers”. “When a thousand is better than two thousand”. “What does Clement say?” “A Mountain which will be eaten up”. “Pies of coal and ore”.

Chapter 8 is headed, “Iron Workmen”, and items such as “Two Leningrads and Three Urals”.

Chapter 9, “The Chemical Brigade of our Country”.

Chapter 10, “Mines of Grain”. “Factories Without Walls and Without Roofs”. “The Calculations of a Professor Who Did Not Know How to Calculate”, and knowing professors as I do I think it is fairly pertinent.

Chapter 11, “The War with the Kilometers”.

Chapter 12, “New People”. And this chapter is particularly interesting. New People. He tells here of the objects of this construction, why we are interested in building factories, why we are interested in mining metals, and so forth. Here is a little selection that I will have time to read, I think: “After all man is not just muscles with which to work. He is not a machine. He has a mind that wants to know, eyes that want to see, ears that want to hear, a voice that wants to sing, feet that want to run and jump and dance, hands that want to row and swim and throw and catch. And we must organize life so that not merely certain lucky ones but all may be able to feel the joy of living.” And then he develops that further with a section about the new city, which is very interesting. But there you have set out the ideal that runs back or you might say in front of this program of construction, and I think that if you read that objectively you will have to recognize it as an extraordinarily interesting document and a very fine document in many respects.

Just one final word and I shall conclude. I had hoped that I would have more time to discuss some of the economic and political phases of this subject, but one word I would like to leave you

with is this: The Soviet Union has been in existence for thirteen years. It has to be reckoned with, and I think that the time for hysteria is over with regard to it. We have to sit down like sensible people and decide how we are going to live in the same world with this new society. There may be starting in the world today one of the most interesting dramas of history, a conscious and open competition between two different social systems, and my hope, and I think that the hope of every one of us, should be that that competition will be peaceful. It will be very easy, however, for all kinds of friction to arise out of this competition. I think myself that it is going to take charity and understanding on both sides to make this competition a peaceful one. But after all I cannot see how either side has anything to lose by permitting the thing to go on peacefully. The Russians no doubt will learn something from us, and I think we in turn may learn something from them, and while I would not be willing to accept many items in their program, I think we may be able to learn something from them. We may get a clue out of their efforts at planning and controlling economy that may help us in the solution of our own problems. (Applause)

General McRoberts: Mr. Matthew Woll, our next speaker was brought to this country very early in his life from his native home in Luxemburg, and obtained his education in Chicago. He was a law graduate from the Lake Forest University and began his career as a lawyer. But very early he became interested in the labor movement of this country and for twenty-five years has devoted his life to the interests of labor. Today he is Vice-President of the American Federation of Labor and has made a very intensive study of the relations of the Soviets and the principles back of it as applied to the labor organizations in this country. I take pleasure in introducing Mr. Matthew

Woll. (Applause)

Third Speaker

Matthew Woll.

Vice President, American Federation of Labor

Mr. President, honored guests and members of the Economic Club and ladies and gentlemen; I feel highly honored in having been accorded this opportunity of addressing your meeting on the subject of the economic phases with reference to Soviet Russia. Before doing so, however, I want to correct the chairman in one statement he made when he stated that in my early career I was a lawyer. It is true that I studied law, studied law outside of my working hours as a photo-engraver, but having been admitted to the Illinois Bar I might say frankly that I never practiced law. My time has been wholly consumed in the workshops and in representing organized labor.

When asked to address your meeting my first impulse was not to prepare anything, but to speak to you extemporaneously on the subject. On my arrival in the city yesterday I had quite a letter here advising the speakers the course they are to follow; that this was not to be in the nature of a debate, but each one was to present their point of view individually and without reference to the previous or subsequent speakers and to confine themselves entirely to the economic questions involved. For fear that I might in my enthusiasm transgress some of the provisions given for this discussion I committed that which I have to say to writing. I regret exceedingly that I have

prepared a paper because I would much rather refer to the statements made by the previous speakers than to deal with the subject as I have prepared it for you. But I will only say this, however, in comment to the two previous addresses made, that if Soviet Russia presents such a wonderfully successful experiment in psychology in education and in science and industry and in government, then well may we resolve that our whole system of organization within the United States, including its form of government, is not suited to the best interests of our people and that all the progress made under the principles upon which we have operated is of no value whatever; that ipso facto if we are to prosper as a people then let us usher in socialism with all its dictatorship and all that is going on in soviet Russia. I for one am not willing to accept that doctrine. (Applause)

It will seem rather strange to you gentlemen, because I take it you do not represent the manual workers, the so-called proletariat, but it is not at all strange that I, representing manual workers, skilled workers as well as common laborers, should not acclaim the Soviet Government as the great hope for the working class of the world, but that I come here to you expressing bitter opposition to that form of economic organization as well as political organism as well as social and psychological principles underlying it. (Applause)

As far as I am aware there is in this country little, if any, tendencies among any group to attempt direct or indirect interference with the internal affairs of Russia. As far as I am aware there is not even any pressure or influence aimed to affect Russia's present internal structure, either political

or economic.

But ever since the foundation of the Soviet regime America has been confronted with the problem of the external relations of the Soviet regime with this country. For years this question was purely political—could there be any degree or form of recognition of such a regime by the American Government? Was that regime of such a character that it could live up to its international obligations? These questions were answered by Secretary Colby in the negative. In addition there arose the question whether that regime did as a matter of fact live up to its obligations with other countries. Also the question whether a mutual recognition could be reciprocal in view of the fact that the Soviet citizens in America would enjoy certain rights and privileges which American citizens could not conceivably enjoy in Soviet Russia, although such rights and privileges are guaranteed to a greater or lesser extent by every other government. These leading questions, connected with recognition, have been obscured by emphasis on two entirely secondary points: Soviet propaganda in this country and Soviet recognition of American debts. These secondary points were stressed both by the Soviet propagandists and by selfish financial interests of this country as if they were the main issue.

But now the question of political recognition has been entirely eclipsed by the far more important question of our economic relations. The Soviets have openly admitted that the chief purpose of their effort to secure recognition, aside from the immense prestige that that recognition would give to their propaganda, was to obtain credits from the United States. The

American Government recognizes the intimate connection between these two Soviet objectives and advised our business interests against long term credits, that is credits for investment as distinct from credits for strictly trading purposes. Nor has there been any indication that our business interests have refused to follow the Government's advice. The so-called big contract that the Soviets have boasted of provides not for credits for a term of years, but for credits which are to be renewed from year to year only in proportion as the Soviets fulfill their part of the contract each year by payment for the larger part of the goods received the year before.

In the last year or two the question of economic relations has ceased to be a question not of concessions or investments of American capital and has become a question of trade. The importance of Soviet exports to this country is conceded by the Soviets themselves to consist mainly in the fact that these exports must pay for their imports, an admission that no considerable credits are to be obtained.

In regard to these exports, American exports from Soviet Russia, America has had to answer two problems: first, are the Soviets dumping in this country and if so what are we to do about it? And second, are the Soviets sending to this country the products of either convict or of forced labor, or both, and what are we going to do about that?

May I interrupt to say that in America here everyone recognizes the relationship between the government and industry; that it is unfair, unjust that convict labor should be permitted to

compete with free labor, and so practically every state in the union has enacted legislation preventing the product of convict labor coming into conflict with that of free labor. The Congress of the United States having only recently recognized the principle involved, and having adopted legislation to protect these States having enacted legislation has confined the result of that product of convict made goods to be used exclusively for their State institutions or political subdivisions thereof. Having recognized that insofar as their internal relations are concerned the more important question arises, shall we not also prohibit prison, indenture or forced labor competing with free labor here in the United States? (Applause)

These questions are neither theoretic nor morale. These are not theoretical questions because the amount of goods being dumped and the amount of forced labor products being sent to this country are already considerable and are increasing rapidly. The questions are not merely morale because this country is already provided with legislation dealing both with dumping and with the importation of the products of convict labor and forced labor. Again the questions are not theoretical because the essential facts are either admitted or, insofar as they are denied, are very easy to establish.

So that the very practical question arises as to the interpretation and application of certain laws already on the statute books, laws admitted by all classes and groups in this country to be of utmost importance. The opposition to dumping by business interests and by legislation is by no means confined to this country. Practically all economic groups of all nations are opposed to

dumping and all have legislation to prevent it, a large part of this legislation being most effective for that purpose. Also in the case of forced labor the overwhelming majority of the nations are agreed and their representatives at Geneva were almost unanimous in deciding “to suppress forced or obligatory labor in all its forms as promptly as possible”.

Also it is genuinely agreed throughout the world that the Soviet Government has brought forward the problems of dumping and of forced labor in new and more acute forms, since it is no longer dumping or the employment of forced labor by private corporations, but as incorporated by a government in its political system as a permanent part of the economic structure of the country.

I do not desire to discuss the subject of dumping in any detail but shall define briefly the new and acute form it is taking in Russia in order to show that the problems of dumping and forced labor are nearly related if not united at the bottom. Dumping is usually defined as the exportation of goods and their sale abroad at a price lower than the cost of production. Now, the cost of production cannot be computed in Soviet Russia because their economic system is not on a pecuniary basis. This situation has been completely, accurately and very briefly stated by the pro-Soviet correspondent, Walter Duranty of the New York Times who said: “In a socialist state the determining factors of costs are unlike those in other countries. Interest on capital investment, depreciation and insurance, price of materials and wages—these do not apply in Russia because everything belongs to one owner, the State.”

Again I pause just for a moment to say, how is it possible for society organized as we are on a liberal and democratic order, to live in peace and harmony with a system of that kind and character, and to compete with it to the benefit of all concerned?

Again quoting Mr. Duranty, “Except insofar as production involves imports of one kind or another, its cost can be accurately computed only in terms of the world market price of the commodities, food and the like paid to labor. Everything else is just a matter of bookkeeping, with the State changing money from one of its pockets to another. “Raw materials, land, transportation and all capital investments, except what is imported from abroad; are the property of the State and therefore costs nothing.”

It is when we take note of the labor conditions that we see the basis of Soviet dumping, the forced exploitation of labor at a starvation wage by a State holding a monopoly of employment and food, is identical with the system of forced labor, that is forced labor constitutes part and parcel of this system of State monopoly of food and employment, or arises immediately and almost inevitably out of it. Duranty continues:

“In Russia today labor certainly is not getting wages equivalent in world market terms to the work it performs. The same applies to the production of oil, coal, lumber, matches or even manufactured goods. In the final issue, the Soviet is not dumping anywhere or anything because

it produces with unusual cheapness by the simple and rather shocking expedient of underpaying labor abominably, underpaying, that is, according to world standards.”

Since the State has a monopoly of food and employment, this monopoly being in itself a form of coercion, it might be thought that no further coercion is necessary. But the Soviets, fantastic and violent extremists as they always are, do not by any means stop at this point. Not only is labor blacklisted and deprived of food if it is not satisfied with Soviet wages and employment, but it is branded with the political crime of desertion, which subjects it to additional penalties. Nor is this all. In order to make impossible any other form of livelihood outside of absolute submission to anything the Soviet functionaries offer, a new and very literal form of serfdom has been established, the serfdom being essentially the prohibition of the free movement of labor, for labor is now allocated to certain districts and not permitted to move therefrom.

As to the new crime of economic desertion the Soviets say in their quaint and contradictory language, “The workers, while retaining their right to quit their jobs on seven days notice, become deserters if they exercise this right, and the Government employment agencies, through which alone work can be obtained, are forbidden to give skilled workers who do desert any job except one of mass labor for six months.”

In the words of the well informed correspondent of the Associated Press: “This, of course, means that a worker under those six months discipline will have none of the privileges of the employed

worker to purchase food, clothing or other necessities.” But this correspondent tells only part of the story for the conditions in the mass employment camps where these deserters are sent, such as those of the Czarist, railroad building and factory building, are radically different from those of the ordinary factories. In a word, the labor deserter becomes a political criminal and is assigned to the same sort of work as the great mass of other political prisoners.

The exact words of the decree which openly attempts to make all soviet labor forced labor is worthy of quotation at least in part: “The engaging of workers must be carried out exclusively through the labor bureaus. Persons expelled from organizations and enterprises may be registered at the bureaus of labor and sent exclusively to mass physical works.”

Soviet Russia at present is one vast camp of mobilized workers, with shock brigades shifted hither and thither wherever weak points develop on the front.

“Deserters are registered apart by the labor bureaus and during six months are not sent to work on industrial enterprises, but are used for mass physical labor. Persons who refuse the work offered to them are registered, together with the deserters, and used for mass physical work.”

In addition to desertion camps and the forced allocation of labor, the Soviets have immensely increased their supply of forced labor by the fantastic extension of its list of political crimes. Political criminality in Soviet Russia varies with the conceptions of each country and is so little

regarded as criminal that political prisoners are automatically freed upon reaching another country. But, while political prisoners exist outside of Soviet Russia, they constitute a much smaller proportion of the population and their labor accounts for an extremely small proportion of the production of any country. The labor of such political prisoners or exiles is not merely to the last degree forced or convict labor in its purest form, but is also forced labor in the purest economic sense. That is, these labor armies have been formed as much for economic as for punitive objects and since their criminality is not recognized outside of Russia, from our point of view they are not mere convicts but rather mere economic armies of forced labor. The crimes for which these labor armies are confined to prison camps or exile embrace not only a great list of alleged moral and intellectual offenses against the revolution or against the proletariat, such as expressing criticism of the Soviet regime or belonging to some opposition group or other equally vague and purely moral offense, but novel economic crimes, such as the economic desertion above mentioned and sabotage, which means anything that might be conceived of as having a tendency to obstruct the Soviet economic plan, which means stating publicly what these plans are in such a way that a foreigner might discover them to the detriment of the Soviet, an economic espionage.

With such a flexible definition of political and economic crimes and with complete absence of freedom of speech and of regular forms of law and trial, and in the presence of a vast engine of spies and officials giving their entire time in tracking down real or alleged opposition to the Soviets or to any of its innumerable and changing policies, it is evident that any Russian may at

any moment be railroaded into these forced labor camps or districts of exile or allocation of mass labor where the victim must certainly die of starvation or accept the Soviet employment.

By far the largest and most important group of these political and economic convicts is that of the so-called “Kulaks”, a word ludicrously translated for years in the American press as meaning “rich peasant”. This mistranslation, though it has been frequently exposed, has continued in general use until quite recently and has aided the Soviet propaganda immensely by making it appear that they were persecuting only a relatively small group of wealthy and privileged country people coming down from the older regime. As a matter of fact there have been no well-to-do peasants left since the early days of the Soviet regime. The Kulaks belong to a group of peasants which we should call miserably poor, though they are to be distinguished from that utterly pauperized peasant majority whose property consisted of a single cow and perhaps half a dozen pigs or sheep. As distinct from these the “Kulaks” who were also numbered by the millions, had one or two horses and several cows. It has been estimated that their average agricultural capital was about \$500, which places them quite distinctly in a group which we should call very poor small farmers.

The “crimes” of these Kulaks, unless in exceptional cases, consisted in wanting to keep possession of their farms, animals or grain or, in the last year or two, of resisting the expropriation of their miserable bits of land. In view of the overwhelming physical power and the ruthless violence of the Soviets this resistance has been almost wholly of a peaceful sort.

Last year the Soviets decided to liquidate these millions of poor farmers en masse. At first no plans were made as to what should be done with them. In very many cases they were not even permitted to enter the Soviets' new collective farms and high Soviet officials stated that the Soviets did not care what became of these millions of Russian agriculturists, the one large group in the country which had proved any special capacity and enthusiasm for agricultural work. Later it was decided to send them to labor camps or into exile in districts where they were forced to accept any employment offered by the Soviets or to starve. The Soviets' protest that this labor is not forced is not only very thin but it is not even half-hearted. As a matter of fact the Kulaks have been by far the hardest workers in all Russia not only under the old regime but under the present dispensation. By no other means could they have been enabled to hold on to their petty property in the face of all the tortures, persecutions and miseries of their condition, since their property consisted largely of production capital which had to be renewed in spite of all these difficulties from year to year. So that the talk about teaching them to work is nothing less than false and savage mockery of people whose sole crime is that by virtue of bitter experience they cannot see the beauties of the Soviet system. This particular form of Soviet forced labor is sufficiently evidenced and characterized in a recent report to the economic section of the League of Nations.

May I then say in conclusion that as I view this whole situation first of all it is a question of whether we have been all wrong in our thinking, in our activities and relations ever since the

founding of this nation, when great impetus was given to the peoples of the world for liberal forms of government and for the ideal of establishing individual freedom and liberty. That liberalism in government today is being seriously challenged by the new order in Russia, for there does not obtain to any degree of any of the liberal ideals or principles upon which not only this nation has been founded but upon which all liberal governments in the civilized world exist today.

However, the great question sooner or later confronting not only our people, but the peoples of the world, shall be, “Will we maintain a liberal form of government or shall we swerve into a dictatorial form of organization in which the individual counts for naught and in which the State counts for everything”? If you accept the latter point of view then, of course, whatever is going on in Russia is to be commended and eulogized to the extreme. If, however, you are a believer in a liberal form of government, in the principles underlying that which has made our nation great and has made for the building up of the world, then everything going on in Soviet Russia is in violent revolution to those principles.

You may color them as you wish. You may clothe them in terms of beautiful laboratories in psychology, and you may expound them in the light of immediate trade and profit, but if that order is successful it will challenge the liberalism of the world and the strange part of it is that it is the liberals of our country who seem most urgent to usher in that state of society. When we speak of education apparently our system of education is wrong...

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...of labor has been fighting in the front line trenches against the attempts of the Communists in this country to bore from within and take over control of that great organization, and if that had succeeded a number of years ago it would have meant that Communism today in this country would have been a very serious menace to every kind of industry from New York to the Western Coast; not only an immediate menace to all industry, but I go as far as to say if they had succeeded in their purpose to gain control of this organization it would have even been a menace to our republican form of government. (Applause)

And you people around here who have had little or no contact with the Communists in this country do not realize just what the American Federation of Labor has been up against and all it has accomplished through refusing for the last thirteen years to compromise in the slightest degree with the aims and purposes of revolutionary Communism in the United States. And therefore I can say to you tonight that I for one believe because of the attitude of the American Federation of Labor that Communism in the United States itself is not an immediate menace, that we are not in fear this year or the next year or the year after of a revolution from Communists, but that the issue that has been discussed tonight, the economic one, is far more immediate and far more important as affecting the 120,000,000 of Americans in this country, and that is why I am glad to come here and join in this discussion on the economic issue which is the most

important and possibly the most vital and the most far reaching in the entire world. The political issue, the revolutionary issue, is not so important here in spite of the fact that there may be five or six hundred thousand Communists. It is not so important here as it is in China or India or the border states or Germany, and I would not anticipate any revolution in this country until there is a revolution, let us say, in the border states and in Germany where they had five million Communist votes.

This subject, the economic outlook for Russia, should be I think fairly discussed from the point of view not only of the economic outlook for Russia, but how it affects the interests of the American Government and the American people. Everything that has been said tonight in regard to the Five-Year Plan in my opinion is generally correct. For the Five-Year Plan in Russia is succeeding; that it is making very rapid progress I am the last one to say anything in denial to, or to the statements that have been made in regard to its progress in the last two years in Russia. What I want to know is how does it affect the United States? How does it affect free American labor, and, after all, that is the whole issue, the economic issue. It is not so much a question of how it affects you men here. It is how it affects free American labor in competition with forced labor and convict labor, and I agree with the gentleman from England who said that very possibly England would be glad to have a share of the trade that is being done here by Soviet Russia. But I am mindful of the fact that not so many years ago when there was a war in this country between the North and the South and the North established a blockade against Southern cotton and workers in the mills of Manchester and Liverpool were unable to work because they

were unable to get cotton, what did they do? They did not join with some of the great statesmen in England in denunciation of the North, but they passed in mass meetings resolutions commending Abraham Lincoln for freeing the slaves, for bringing about free labor throughout the United States, in spite of the fact that they were without work and virtually starved for a number of years. That was the attitude of English labor not so many years ago, and I believe that their descendants even now reset the fact that convict labor comes from Russia and its goods are being carried into England at this very moment. The English papers are filled with it. But they have a labor party there, a labor party controlled by Socialists, and after all there is very little distinction on the economic problem as far as Communists or Socialists are concerned. In fact, my friends, they are identical. I imagine that they would be willing to admit it. They both get their doctrines from the manifesto of Karl Marx, which means the socialization of all industry of transportation, of production and distribution. There is no difference in that program. The only difference between the Communists and Socialists is the political program, in which there is a tremendous difference and the Socialists, of course, since I have raised this point, in fairness to him I think I should say that the Socialist has as much right to his views and the expression of his views in this country as the Republican or the Democrat, because he advocates those views and his reforms in an evolutionary way, in a constitutional and in a proper and legal way. He believes, moreover, in the extension of democracy or liberalism, the right of man to rule himself, to govern himself. So we must understand that, and even Supreme Court Judges have come to me and have asked me, "What is the difference between Socialism and Communism?" The difference is the political end of it. Communism stands for revolutionary methods, the over-

throw of all governments that are not Communistic, that are not Soviet, by force and violence, and the substitution of the proletariat.

We are concerned this evening with the question as to how the economic set-up and outlook in Russia affects America, and particularly free labor, and it is an entirely new issue, although the Soviet Government has been functioning for the past 13 years. It is only in the last year and a half that the Five-Year program has shown that Russia is and will be the main competitor of the United States of America. I want to be very fair. I have advocated trade with Russia for many years, ever since I was in Russia in 1923, and it is a very difficult thing for a man who has advocated one side of a question to change it and gradually, due to the logic of the situation and the facts, I have come around to the conclusion that it possibly would be better if we did not trade with Russia and I propose to explain why, although I do not question the right, and I do not question the patriotism, of those who have traded in this country with Soviet Russia. Naturally I would be the last one to do so because I have been advocating it for a number of years. But I think we have reached a point where the American businessman should understand the facts purely as affecting the United States of America. I can readily see why Great Britain should trade even in spite of the labor party which was pledged to the recognition of trade. But they are an importing nation. They import labor and agricultural products, and wheat and oil from Russia. I can understand of course why Italy trades with Soviet Russia, because they have no coal. They have no timber. They have no oil and so on, and I can understand why France recognizes Russia due primarily to the settlement of the vast debts that they hope to adjust, and the vast loans that

they made prior to the war. Germany had the greatest amount of trade before the war, some \$400,000,000 and naturally wants to get back that trade as a neighbor of Russia. But when it comes to the United States of America, we did very little trade with Russia back in 1913, and today we are doing a considerable amount; not as much as has been stated here tonight according to official figures. The Department of Commerce said they bought \$84,000,000 worth of goods in 1929. The Soviet claims it is higher, they claim it is about \$100,000,000 and now they claim it is \$150,000,000 this last year. I think the Department of Commerce claims it is about \$107,000,000 and I believe the Department of Commerce insists that their figures are generally correct. But I won't dispute the question of a few millions of trade. That is not the point. When I say that Russia is the greatest competitor of the United States I mean because Russia is a vast country like ourselves. It has enormous natural resources. It has unlimited forest land, inexhaustible wheat land. They claim that they have bigger oil reserves than the United States, and with the development of these great natural resources which they have confiscated with no cost to themselves and by labor, whether it is convict or forced makes little difference on the argument that I am presenting, they pay labor a gold standard of about 15 or 20 cents a day. Naturally it must be self-evident that we in this country with a wage scale of three dollars and upwards cannot compete if we are to maintain the American standard of wages and of living for free American labor. That is what is going on in Russia. Their cost of production is half of our cost of production.

Let us analyze it. For the last eight years we have exported \$257,000,000 worth of wheat and

wheat flour. I leave out those years that were referred to, in 1920 and 1921, when we exported large amounts to the famine district. In the last eight years, therefore, we have exported that amount of wheat and wheat flour. Until last year Russia had not exported more than ten million bushels of wheat. The best estimate that I have received so far is that Russia exported last year between ninety and one hundred million bushels of wheat. That is a big increase. But the Department of Agriculture states that in 1930 under the Five-Year Plan that they increased the number of bushels production to 450,000,000. That is not the total production; that is the total increase in one year, and they have increased that amount last year. We cannot possibly sell a single bushel to any country in the world because they can produce it at 30 cents a bushel, at half our cost of production. The same thing applies with oil. The same thing applies with timber.

Back in 1928 Russia was third or fourth as an exporter of lumber. In 1929 it jumped up to third place. In 1930, due to the machinery that we have sent over there, the mill equipment, etc., they have jumped to first place, with twice as much exported, they claim themselves, than either the United States and Finland combined. This has gone on in almost every industry. Of course England is doing business with them. They get practically all their lumber. The Swedish Minister told me the other day they had taken 60 percent of the exports formerly from Sweden, that it is now being sold to Great Britain by Russia. The same situation exists in oil. In 1913 Russia produced about 900,000 metric tons for export. This last year they produced 4,500,000 metric tons of oil for export or four times more than they produced in 1913.

How did that happen? Of course the Five-Year Plan is successful, because they have built refineries and pipe lines and used rotary drills and have new equipment, and there is no reason in the world why year by year they won't wipe out the \$500,000,000 of export in oil that we have been selling in the past to foreign nations, because they can produce it, in spite of the depression in this country, at probably half the cost that we produced it by free American labor. The same thing will happen in cotton. This year Russia claims that they will be able to produce sufficient cotton to take care of themselves. I doubt that. They have already issued an order that they should not buy any more cotton in the United States. Cotton is our greatest agricultural export, amounting to \$700,000,000.

I dislike standing here before you and giving what might be called bad news. We have an export of a billion and a half dollars in those five products, wood, cotton, oil and in lumber, and step by step of course we are going to lose the greatest share of that enormous export to a country where it pays its labor 15 or 20 cents a day and has confiscated all the land, and that is why Mr. Matthew Woll and those who represent free American labor understand the problem and declare that the United States of America should not do trade of any kind with a country where they have forced labor or convict labor.

We have in the Tariff Bill, as was pointed out, a provision which requires that no product made by convict labor should be brought into the United States. In the investigation that we conducted we had a number of ex-convicts appear before the Committee and they all told the same tragic

and pathetic story about the prison camps near Archangel and the Northern part of Siberia. In 1929 we imported into this country 6000 cords of pulp wood. In 1930 we imported 200,000 cords of pulp wood, some of which it is claimed was produced by convict labor in the northern part of Russia. I for one have suggested only last Saturday to the lumber representatives in the House of Representatives at a meeting that they should form a Steering Committee and ask the Secretary of the Treasury through the State Department permission to send over to Russia some agents of the Treasury Department, to do what? To secure the facts in regard to convict labor in the northern part of Russia. It is said here that Russia might refuse. It is said that that might mean that we are recognizing Russia by making that request. Let me answer that by saying that it seems to me when we permit a thousand Russian subjects to come into the United States, to secure visas from our State Department, from our consular offices, to enter the United States and visit and examine and inspect all our mills, our factories and our mines, that we at least could make a reasonable request that half a dozen American citizens could go into Russia to make an investigation to carry out the laws on our statute books. (Applause)

So when I presented this the other day to the Representatives in the House from the lumber States of the Union and suggested that they take at least this burden off my shoulder as Chairman of the Committee and do what they want to do after I had presented the facts, they refused and said to me, “We want to go much further,. We want to bring in all these groups that are affected by forced labor, the oil group, the lumber group, the cotton group, the manganese and anthracite coal groups, and so on,” and they authorized me to appoint a committee of twenty-five

representatives in Congress from these groups as a steering committee in order that they might wait upon the Secretary of the Treasury and ask that agents or representatives be sent over through the State Department, to find out what? Merely the facts, to carry out the provisions of the Tariff Law in regard to convict labor and in regard to forced labor, which goes into effect on the 1<sup>st</sup> day of January, 1932.

I appointed on the Committee most of the leaders in the House; in fact a motion was made for the appointment of that Committee by the chairman of the Ways and Means Committee of the House. I appointed him and the Democratic leader and myself and other leaders, and they all accepted, and I for one think that is the most reasonable request, if we can permit a thousand Russian subjects to come in here through the consent of our State Department of our country, to request at least that a half a dozen Americans go over there to get the facts, and if they refuse, if they are afraid to permit Americans to go over there to do what their people are doing over here, then I say put into effect the provisions of the Tariff Law as they are written and keep out all convict goods, your wood pulp, your timber, against which charges have been made that they are produced by convict labor.

As far as forced labor, of course that does not go into effect until the end of the year and we have plenty of time to decide what we shall do. But we are dealing with a nation that refused to permit us so far to get the facts. We have no other way to get them except by asking permission to send our own people over there. The Tariff Law is written by the Congress and it should be enforced.

I for one am not able to get the facts and I know no other way of getting the facts, and if you do not send your own agents over there of course then it becomes a dead letter.

The biggest part of the argument tonight has referred to the Five-Year Plan. Let me read to you just what the author of the Five-Year Plan has to say about it: “The Five-Year Plan is a program for the further expansion and consolidation of the great revolution, nor should the great international significance of the plan be underestimated. For the first time in history a vast country with inexhaustible natural resources and a population of 150,000,000 free people faces the world with an elaborate plan for up-building a socialist economy and culture, a socialist society. The Five-Year Plan is an important part of the offensive of the proletariat of the world against capitalism. It is a plan tending to undermine capitalist stabilization. It is a great plan for world revolution.”

And let me say to you, my friends, that I would vote for recognition of Soviet Russia tomorrow if it were not for the fact that through the Third International, or the Communist International, that they are insistently interfering with our republican form of government and sending their orders direct over here, attempting in every way to undermine and destroy our republican form of government in order to substitute the Soviet form of government and establish a proletariat government in the United States of America. We do not question their form of government. We do not question what they do in Russia, but we do question the right of any foreign government to interfere with our government, and it is absolutely impossible to separate the economic from

the political, and the political features of this temporary Five-Year Plan are uppermost in the mind of every bon a fide Communist from Stalin down, who actually believes that they can bring about a revolution in the United States of America, and when it comes to this little thesis of the school girl from Russia or the school boy criticizing our system of labor in the United States, let me answer that by saying this, that our laborers for the last fifty years have been the best paid, the best fed, the best clothed and most contented of any laborers in the world, and we do not propose to change our system of government for any foreign form of government, whether Communistic or any other. The answer to that is that we are going to uphold in every way within our power our free American Government, our free American labor and our republican form of government where there is free opportunity for all. (Applause)

#### QUESTION AND ANSWER SESSION

GENERAL MCROBERTS: It has been our custom at the dinner to give a very brief time to the answering of questions, and I am going to ask Mr. Ely if any questions have been presented that are pertinent to the discussion?

MR. ELY: Mr. President, there is one question asked of Mr. Brailsford, and he says he can answer it in a minute. I suggest that we give him a minute. The question is, "Mr. Brailsford said there are no people waiting in breadlines in Russia. The only way to get bread in Soviet Russia is to wait in line. You wait for two to twelve hours in line for meat in Moscow." The asker of the

question is Princess Alexandria Kropotkin, of the distinguished Russian Family.

MR. BRAILSFORD: The answer simply is that when we talk in this country of the breadlines we mean rows of people who have been denied by organized society the opportunity for working and are therefore obliged to depend on charity for subsistence that will barely keep them alive. The breadlines that exist in Russia are of a totally different character. There it is perfectly true that there is a shortage of goods, that there is above all, as the questioner reminded us, a shortage of meat, and then that the supply is rationed so that it should go around evenly, and in the process of distributing it by cooperative stores it certainly is true that people who have got the tickets which will enable them to get supplies do have to wait a certain amount of time. But they are spending their wages getting what they have earned. There is no comparison between that and the charitable breadline. (Applause)

GENERAL MCROBERTS: With our grateful thanks to those speakers who have entertained us this evening and to our honored guests we bid you goodnight.