

**Antony C. Sutton and Viktor Suvorov on Technology Transfer from the West to the Soviet Union** - Peter Myers, October 14, 2003; June 21, 2004. Write to me at <mailto:myers@cyberone.com.au>. My comments are shown {thus}.

You are at <http://users.cyberone.com.au/myers/sutton.html>.

The USSR's space technology was first-rate; but the Soviet space program was a development from the German V2.

Prior to the start of the Korean War, each side had talked of "liberating" the other. Stalin, at Kim Il-Sung's request, gave 100 T-34 tanks to North Korea; these formed the spearhead of its attack. But the Soviet T-34 tank was a development from a Christie tank sold to the Soviet Union by the United States.

Exploring this theme:

volumes 3 and 2 of Antony C. Sutton's trilogy *Western Technology and Soviet Economic Development*

volume 3: 1945 to 1965

volume 2: 1930 to 1945

plus Viktor Suvorov, *Icebreaker: Who Started the Second World War?*

see item 4 "Case studies: Tanks and the Space Technology".

(1) Sutton's Conclusions to his Trilogy (2) Sutton's summary of his trilogy in *National Suicide: Military Aid to the Soviet Union* (3) Assessment of Sutton's Argument in his Trilogy (4) Case studies: Tanks and the Space Technology (5) Sutton on the Bank for International Settlements (6) Eustace Mullins interview on Sutton (7) Soviet spies steal a Trojan Horse - causing a gas explosion; KGB Veteran Denies CIA Caused '82 Blast (8) Antony Sutton on *Red Symphony* and *Hitler's Secret Backers* (9) Sutton's Laissez-Faire Ideology (10) Sutton infers Convergence / Synthesis (11) Sutton on Rakovsky and Trotsky (12) Sutton on "Sidney Warburg" and the authorship of *Hitler's Secret Backers*

## **(1) Sutton's Conclusions to his Trilogy**

**Antony C. Sutton, *Western Technology and Soviet Economic Development 1945 to 1965*** (Hoover Institution Press, Stanford University, Stanford Ca., 1973).

{p. 411} CHAPTER TWENTY-NINE

## Conclusions

### EMPIRICAL CONCLUSIONS: 1917 TO 1930

The first volume of this study concluded that **the Soviets employed more than 350 foreign concessions during the 1920s**. These concessions, introduced into the Soviet Union under Lenin's New Economic Policy, **enabled foreign entrepreneurs to establish business operations in the Soviet Union without gaining property rights**. The Soviet intent was to introduce foreign capital and skills, and the objective was to establish concessions in all sectors of the economy and thereby introduce Western techniques into the dormant postrevolutionary Russian economy. The foreign entrepreneur hoped to make a normal business profit in these operations.

Three types of concessions were isolated: Type I, pure concessions; Type II, mixed concessions; Type III, technical-assistance agreements. Information was acquired on about 70 percent of those actually placed in operation. It was found that concessions were employed within all sectors of the economy except one (furniture and fittings), although the largest single group of concessions was in raw materials development. **In the Caucasus oil fields** - then seen as the key to economic recovery by virtue of the foreign exchange that oil exports would generate - **the International Barnsdall Corporation introduced American rotary drilling techniques and pumping technology**. By the end of the 1920s 80 percent of Soviet oil drilling was conducted by the American rotary technique; there had been no rotary drilling at all in Russia at the time of the Revolution. International Barnsdall also introduced a technical revolution in oil pumping and electrification of oil fields. **All refineries were built by foreign corporations**, although only one, the Standard Oil lease at Batum, was under a concessionary arrangement - the remainder were built under contract. **Numerous Type I and Type III technical-assistance concessions were granted in the coal, anthracite, and mining industries**, including the largest concession, that of Lena Goldfields, Ltd., which operated some 13 distinct and widely separated industrial complexes by the late 1920s. In sectors such as iron and steel, and particularly in the machinery and electrical equipment manufacturing sectors, numerous agreements were made between trusts and larger individual Tsarist-era plants and Western companies to start up and reequip the plants with the latest in Western technology.

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**A.E.G., General Electric, and Metropolitan-Vickers were the major operators in the machinery sectors**. Only in the agricultural sector was the concession a failure.

After information had been acquired on as many such concessions and technical-assistance agreements as possible, the economy was divided into 44 sectors and the impact of concessions and foreign technical assistance in each sector was analyzed. It was found that about two-thirds of the sectors received Type I and Type II concessions, while over four-fifths received technical-assistance agreements with foreign companies. A summary statement of this assistance, irrespective of the types of concession, revealed that all sectors except one, i.e., 43 sectors of a total of 44, had received some form of concession agreement. In other words, in only one sector was there no evidence of Western technological assistance received at some point during the 1920s. The agreements were made either with dominant trusts or with larger individual plants, but as each sector at the outset comprised only a

few large units bequeathed by the Tsarist industrial structure, it was found that **the skills transferred were easily diffused within a sector** and then supplemented by imported equipment. Examination of reports by Western engineers concerning individual plants confirmed that restarting after the Revolution and technical progress during the decade were dependent on Western assistance.

It was therefore concluded that the technical transfer aspect of the New Economic Policy was successful. It enabled foreign entrepreneurs and firms to enter the Soviet Union. From a production of almost zero in 1922 there was a recovery to pre-World War I production figures by 1928. There is no question that **the turn-around in Soviet economic fortunes in 1922 is to be linked to German technical assistance, particularly** that forthcoming **after the Treaty of Rapallo** in April 1922 (although this assistance was foreseeable as early as 1917 when the Germans financed the Revolution).

It was also determined that **the forerunners of Soviet trading companies abroad - i.e., the joint trading firms - were largely established with the assistance of sympathetic Western businessmen.** After the initial contacts were made, these joint trading firms disappeared, to be replaced by Soviet-operated units such as Amtorg in the United States and Arcos in the United Kingdom.

It was concluded that for the period 1917 to 1930 Western assistance in various forms was the single most important factor first in the sheer survival of the Soviet regime and secondly in industrial progress to prerevolutionary levels.

#### EMPIRICAL CONCLUSIONS: 1930 TO 1945

Most of the 350 foreign concessions of the 1920s had been liquidated by 1930. Only those entrepreneurs with political significance for the Soviets received

{p. 413} compensation, but for those few that did (for example, Hammer and Harriman), the compensation was reasonable.

**The concession was replaced by the technical-assistance agreement, which together with imports of foreign equipment and its subsequent standardization and duplication, constituted the principal means of development during the period 1930 to 1945.**

The general **design and supervision of construction**, and much of the supply of equipment for the gigantic plants built between 1929 and 1933 **was provided by Albert Kahn, Inc., of Detroit**, the then most famous of U.S. industrial architectural firm. No large unit of the construction program in those years was without foreign technical assistance, and because Soviet machine tool production then was limited to the most elementary types, **all production equipment in these plants was foreign.** Soviet sources indicate that **300,000 high-quality foreign machine tools were imported between 1929 and 1940.** These machine tools were supplemented by complete industrial plants: for example, **the Soviet Union received three tractor plants (which also doubled as tank producers),** two giant machine-building plants (Kramatorsk and Uralmash), three major automobile plants, numerous oil refining units, aircraft plants, and tube mills.

Published data on **the Soviet "Plans" neglect to mention** a fundamental feature of the Soviet industrial structure in this period: **the giant units were built by foreign companies at the very beginning of the 1930s**, and the remainder of the decade was devoted to bringing these giants into full production and building satellite assembly and input-supply plants. In sectors such as oil refining and aircraft, where further construction was undertaken at the end of the decade, we find a dozen top U.S. companies (McKee, Lummus, Universal Oil Products, etc.) aiding in the oil-refining sector and other **top U.S. aircraft builders in the aircraft sector** (Douglas, Vultee, Curtiss-Wright, etc.).

Only relatively insignificant Soviet innovation occurred in this period: SK-B synthetic rubber, dropped in favor of more useful foreign types after World War 11; the Ramzin once-through boiler, confined to small sizes; the turbodrill; and a few aircraft and machine gun designs.

**The Nazi-Soviet pact and Lend Lease ensured a continued flow of Western equipment up to 1945.**

In sum, **the Soviet industrial structure** in 1945 consisted of **large units producing** uninterrupted runs of **standardized models copied from foreign designs and manufactured with foreign equipment**. Where industrial equipment was of elementary construction (e.g., roasters and furnaces in the chemical industry, turret lathes in the machine tool industry, wooden aircraft, and small ships), the Soviets in 1945 were able to take a foreign design and move into production. One prominent example (covered in detail in this volume) was **the Caterpillar D-7 tractor**. The original, sent under Lend Lease in 1943, was copied in metric form and **became the Soviet S-80 and S-100**. It was **then adapted for dozens of other military and industrial uses**.

{p. 414} Thus in the period 1930 to 1945 **the Soviets generally no longer required foreign engineers as operators** inside the U.S.S.R. as they had in the concessions of the 1920s, but they still required foreign designs, foreign machines (the machines to produce machines), and complete foreign plants in new technical areas. By 1945 the Soviet Union had "caught up" at least twice; once in the 1930s (it could also be argued that the assistance of the 1920s constituted the first catching-up) with the construction of the First Five Year Plan by foreign companies, and again in 1945 as a result of the massive flow of Western technology under Lend Lease. While the technical skills demonstrated by the Tsarist craftsmen had not quite been achieved, it may be said that in 1945 the nucleus of a skilled engineering force was once again available in Russia - for the first time since the Revolution.

**EMPIRICAL CONCLUSIONS: 1945 TO 1965**

In the immediate postwar period the Soviets **transferred a large proportion of German industry to the Soviet Union - at least two-thirds of the German aircraft industry**, the major part of the rocket production industry, probably two-thirds of the electrical industry, several automobile plants, several hundred large ships, and specialized plants to produce instruments, military equipment, armaments, and weapons systems. **The stripping of East Germany was supplemented by a U.S. program (Operation RAP) to give the Soviets dismantled plants in the U.S. Zone**. By the end of 1946 about 95 percent of dismantling in the U.S. Zone was for the U.S.S.R. (including the aircraft plants of Daimler-Benz, ball bearings facilities, and several munitions plants).

Manchuria and Rumania also supplied numerous plants. And as we have seen, Finnish reparations which supplemented the pulp and paper industries and ship construction were made possible by U.S. Export-Import Bank credits to Finland.

In the late 1950s all this industrial capacity had been absorbed and the Soviets turned their attention to the deficient chemical, computer, shipbuilding, and consumer industries, for which German acquisitions had been relatively slight. A massive complete-plant purchasing program was begun in the late

{p. 415} 1950s - for example, the Soviets bought at least 50 complete chemical plants between 1959 and 1963 for chemicals not previously produced in the U.S.S.R. **A gigantic ship-purchasing program was then instituted, so that by 1967 about two-thirds of the Soviet merchant fleet had been built in the West.** More difficulty was met in the acquisition of computers and similar advanced technologies, but a gradual weakening of Western export control under persistent Western business and political pressures produced a situation **by the end of the sixties whereby the Soviets were able to purchase almost the very largest and fastest of Western computers.**

**Soviet exports in the late sixties were still those of a backward, underdeveloped country.** They consisted chiefly of **raw materials and semimanufactured goods** such as manganese, chrome, furs, foodstuffs, pig iron, glass blocks, and so on. **When manufactured goods were exported they were simple machine tools and vehicles based on Western designs,** and they were **exported to underdeveloped areas.** When foreign aid projects fell behind - although they had been given first priority on Soviet resources - they were brought back on schedule with the use of foreign equipment (e.g., **British and Swedish equipment was used at the Aswan Dam**). And while great efforts have been made to export to advanced Western markets Soviet goods with a technological component (i.e., watches, automobiles, tractors, and so on), a technical breakdown of these goods reveals in all cases examined either a Western origin or the substitution of Western parts where the products are assembled in the West.

As a further indicator of Soviet technical backwardness, it may be noted that some Western firms selling to the Soviet Union have found "so many gaps in the control schemes proposed" that a two-phase quotation format has been adopted: first a feasibility study is conducted (for which the Western company is paid), and then the actual quotation is determined for a complete system based on the feasibility study. In other words, technical inadequacy is such that the Soviets have not been able to specify exactly what is wanted. What this reflects is not a lack of scientific skill; it shows a lack of information on the technical constituents of a modern industrial system.

In the few areas where indigenous innovation was identified in the earlier period, we find a move back toward the use of Western technology. This is visible in the use of Western synthetic rubbers to replace SK-B, a renewed research effort on rotary drilling as a result of efficiency problems encountered in the use of the Soviet turbodrill, and instances of abandonment of the Ramzin boiler in favor of Western designs. The research and development effort has continued, but its results in practical engineering terms have been near zero. From the technical viewpoint the Soviet Union at 1970 is a copy - a rather imperfect copy - of the West. Generally, initial units are still built by Western

{p. 416} companies and subsequent units built by Soviet engineers are based on the original Western model, and imported equipment is used in key process and control areas.

## ORIGINAL WESTERN INTENT FOR TECHNICAL TRANSFER

It may be unwise to attempt to read into an historical sequence of events as important as those described, any rational objective on the part of Western statesmen. Although the policies concerning trade and technical transfers appear vague and often confused, there is one fundamental observation to be made: throughout the period of 50 years from 1917 to 1970 **there was a persistent, powerful, and not clearly identifiable force in the West making for continuance of the transfers**. Surely the political power and influence of the Soviets was not sufficient alone to bring about such favorable Western policies. Indeed, in view of the aggressive nature of declared Soviet world objectives, such policies seem incomprehensible if the West's objective is to survive as an alliance of independent, non-communist nations. What, then, are the wellsprings of this phenomenon?

**In the years 1917-20 a variant of the modern "bridge-building" argument was influential** within policymaking circles. The Bolsheviks were outlaws, so the argument went, and had to be brought into the civilized world. For example, in 1918 a statement by Edwin Gay, a member of the U.S. War Trade Board and former Dean of the Harvard Business School, was paraphrased in the board minutes as follows:

{quote} Mr. Gay stated the opinion that it was doubtful whether the policy of blockade and economic isolation of these portions of Russia which were under Bolshevik control was the best policy for bringing about the establishment of a stable and proper Government in Russia. Mr. Gay suggested to the [War Trade] Board that if the people in the Bolshevik sections of Russia were given the opportunity to enjoy improved economic conditions, they would themselves bring about the establishment of a moderate and stable social order. {endquote}

At about the same time American businessmen were instrumental in aiding the formation of the Soviet Bureau, and several hundred firms had their names on file in the bureau when it was raided in 1918. Hence there was Western business pressure through political channels to establish Soviet trade. No one appears to have foreseen the possibility of creating a powerful and threatening enemy to the Free World. There was widespread criticism of the Bolsheviks,

{p. 417} but this was not allowed to interfere with trade. In sum, there was no argument made against technical transfers while several influential political and business forces were working actively to open up trade.

The lack of clear policy formulation and foresight was compounded by the apparent **efforts of some State Department officials** in the 1930s **to discourage collection of information on Soviet economic actions and problems**. While the First Five Year Plan was under construction by Western companies, various internal State Department memoranda disputed the wisdom of collecting information on this construction. For example, a detailed report from the U.S. Embassy in Tokyo in 1933 (a report containing precisely the kind of information used in this study) was described in

Washington as "not of great interest." It is therefore possible that no concerted effort to examine the roots of Soviet industrial development has ever been made within the U.S. State Department. Certainly internal State Department reports of the 1930s provide less information than the present study was able to develop. Such lack of ordered information would go far to account for many of the remarkably inaccurate statements made to Congress by officials of the State Department and its consultants in the 1950s and 1960s - statements sometimes so far removed from fact they might have been drawn from the pages of *Alice in Wonderland* rather than the testimony of senior U.S. Executive Department personnel and prominent academicians.

In brief, a possibility exists that there has been no real and pervasive knowledge of these technical transfers - even at the most "informed" levels of Western governments. Further, it has to be hypothesized that the training of Western government officials is woefully deficient in the area of technology and development of economic systems, and that researchers have been either unable to visualize the possibility of Soviet technical dependence or unwilling, by reason of the bureaucratic aversion to "rocking the boat," to put forward research proposals to examine that possibility. This does not however explain why some of the outside consultants who were hired by all Western governments

{p. 418} in such profusion, have not systematically explored the possibility. If it is argued, on the contrary, that Western Governments are aware of Soviet technical dependency, then how does one explain the national security problem, outlined in chapter 27?

An argument has been made that a policy of technical assistance to the U.S.S.R. before World War II was correct as it enabled the Soviets to withstand Hitler's attack of June 1941. This is *ex post facto* reasoning. The German Government financed the Bolshevik Revolution with the aim of removing an enemy (Tsarist Russia), but also with postwar trade and influence in mind. This **German support was largely replaced in the late 1920s by American technical assistance, but until the mid-1930s the Germans were still arming the Soviets**; it was only in 1939 that Hermann Goering began to protest the supply. Thus in the twenties and the early thirties it was not possible for anyone to foresee that Germany would attack the Soviet Union.

The Bolsheviks were assisted to power by a single Western government, Germany, and were maintained in power by all major Western governments. The result is that we have created and continue to maintain what appears to be a first-order threat to the survival of Western civilization. This was done because in the West the political pressures for trade were stronger than any countervailing argument.

This conclusion is supported by the observations that in both the 1930s and the 1960s **the U.S. State Department pressed for the outright transfer of military technology to the U.S.S.R. over the protests of the War Department** (in the thirties) and the Department of Defense (in the sixties). When in the 1930s the War Department pointed out that the proposed Dupont nitric acid plant had military potential, it was the State Department that allowed the Dupont contract to go ahead. A Hercules Powder proposal to build a nitrocellulose plant was approved when the State Department accepted the argument that the explosives produced were intended for peacetime use.

In the 1960s we have the extraordinary "ball bearing case" of 1961, which revealed that **the U.S.S.R. was to receive 45 machines used to produce miniature ball bearings** (in the United States almost all miniature ball bearings are **used in missiles**). That proposal was called a "tragic mistake" by the Department of Defense but supported by the State Department. In 1968 came **the so-called "Fiat deal" under which the United States supplied three-quarters of the equipment** for the Volgograd plant, the largest automobile plant in the U.S.S.R. This agreement ignored an earlier interagency committee finding that 330 military items can be produced by any civilian automobile industry and that the automobile industry is a key factor for war. It also ignores an argument particularly stressed

{p. 419} here - that **any automobile plant can produce military vehicles**. The supply of U.S. equipment for the Volgograd plant was diametrically opposed to an policy of denial of exports of strategic goods to the Soviet Union, for under any definition of "strategic" the Volgograd plant has clear and significant military weapons capability. Yet the State Department was strongly in favor of the shipment of the plant equipment. The developing story of the Kama plant suggests history is repeating itself.

Under these conditions, where policy is so far removed from logical deduction, it would be imprudent to arrive at any conclusion concerning Western intentions. If logical intentions exist - and in chapter 27 it is suggested that our strategic policies are not logically derivable from observable fact - they are obscure indeed. The writer leans to the position that there IS gross incompetence in the policymaking and research sections of the State Department. There is probably no simple, logical explanation for the fact that we have constructed and maintain a first-order threat to Western society.

## IMPLICATIONS FOR THE SOVIET UNION

The Soviet Union has a fundamental problem. In blunt terms, the Soviet economy, centrally planned under the guidance of the Communist Party, does not constitute a viable economic system. The system cannot develop technically across a broad front without outside assistance; internal industrial capacity can be expanded only in those sectors suitable for scaling-up innovation and duplication of foreign techniques.

Quite clearly a modern economy cannot be self-maintained, however skilled its planners and technicians, if technical adoptions in basic industries are limited to processes that lend themselves to scaling up or duplication. Further, the more developed the economy the greater its complexity; consequently the planning problems associated with the acquisition of information must surely increase in geometric ratio.

Logically, then, a system that is strictly centrally planned is not efficient either for rapid balanced growth or for any growth at all once the economy is past the primitive stage. Beyond that stage, the chief function of central planning, so far as the economy is concerned, becomes the retention of political control with the ruling group. There are few economic functions, and certainly no technical functions, that cannot be performed in a more efficient manner by a market economy.

How have the Russian Party member, the Politburo, Stalin, Khrushchev, and Brezhnev looked upon Western technology in relation to Soviet technology? This is indeed a fascinating question. Party



injunctions, for example in *Pravda*, suggest that on many levels there has been a deep and continuing concern

{p. 420} with lagging Soviet technology. The general problem has long been recognized ever since Lenin's time. But Lenin thought it curable; the current Politburo must at least suspect it is incurable.

It is however unlikely that either the Party in Russia or the Communist parties in the West have fully probed the depths of the problem. First, their writings mirror a persistent confusion between science and technology, between invention and innovation. Second, it is unlikely that most Marxists appreciate how important an indigenous innovative process is to a nation's self-sufficiency (in contrast to their clear understanding of the value of scientific endeavor and invention). Even breakaways from Marxist dogma still find it difficult to absorb the notion that virtually all widely applied (i.e., innovated) technology in the Soviet Union today may have originated in the outside world. Third, Russian designers and engineers may have succeeded in deceiving the Party and even themselves. By claiming as indigenous Russian work designs which in fact originated in the West, they may have obscured the realities of Soviet technology.

The dilemma facing the Soviets in 1970 is stark and overwhelming, and periodic reorganization and adjustments have not identified the basic cause. Indeed, each reorganization either stops short of the point where it may have lasting effect or leads to yet further problems. This is because the Party continues to demand absolute political control while a viable economy increasingly demands the adaptability, the originality, and the motivation that result from individual responsibility and initiative. Attempted solutions through use of computers may temporarily ease the problem, but ultimately they too will result in confusion because accurate information still has to be acquired and analyzed. The computer is only as useful as its human operators are capable and as its data input is sound. In any event, who will supply the computers?

Moreover a communist regime cannot yield political power; doctrine demands continuance of power in the hands of the Party. The economy demands diffusion

{p. 421} of power. What will be the result? If Russian historical precedent is any indicator, then the outlook is gloomy indeed. The Russian Revolution was a gigantic and violent upheaval. The first revolution achieved what had been attained by evolutionary means elsewhere, the substitution of relatively democratic control for autocracy. Then the briefly emergent democratic forces in Russia were caught between the autocracy of the right and the Bolsheviks of the left and were rendered impotent. A new absolutism took power. Today there is no question that a fundamental change has to come again; what is unknown is the form that change will take and whether it will be revolutionary or evolutionary .

It is also clear - and the writer makes this assertion only after considerable contemplation of the evidence - that whenever the Soviet economy has reached a crisis point, Western governments have come to its assistance. The financing of the Bolshevik Revolution by the German Foreign Ministry was followed by German assistance out of the abysmal trough of 1922. Examples of continuing Western assistance include the means to build the First Five Year Plan and the models for subsequent duplication; Nazi assistance in 1939-41 and U.S. assistance in 1941-45; the decline in export control

in the fifties and sixties; and finally the French, German, and Italian credits of the sixties and the abandonment of controls over the shipment of advanced technology by the United States in 1969. All along, the survival of the Soviet Union has been in the hands of Western governments. History will record whether they made the correct decisions .

## IMPLICATIONS FOR THE WESTERN BUSINESS FIRM

The Western business firm has been the main vehicle for the transfer process, and individual firms have, of course, an individual right to accept or reject Soviet business in response to their own estimation of the profitability of such sales. There is ample evidence in the files of the U.S. State Department, the German Foreign Ministry, and the British Foreign Office that Western firms have cooperated closely with their respective governments in negotiating for such sales.

Historically, **sales to the Soviet Union must have been profitable**, although the Russians are reputed to be hard bargainers and there have been numerous examples of bad faith and breaches of contract. Firms have accepted theft of blueprints and specifications, duplication of their equipment without permission or royalties, and similar unethical practices and still deemed it worthwhile to continue trade. This applies particularly to larger firms such as General

{p. 422} Electric, Radio Corporation of America, Ford Motor, Union Carbide, and Imperial Chemical Industries, Ltd. There is evidence that larger firms are able to demand and obtain somewhat more equitable treatment from the Soviets, partly by virtue of the fact that respective foreign offices are more willing to back them up and partly because the Soviets are aware of the relatively few sources for their new technologies. But less well-known firms such as Lummus, Universal Oil Products, and Vickers-Armstrongs (Engineers), Ltd., apparently also have found that Soviet business pays.

This profitability must be balanced against possible loss of domestic sales in the face of hostile domestic publicity. American Motors found itself in this trap in 1966, when it had no more than vaguely contemplated sales to the U.S.S.R. - and other firms have suffered boycotts. As long as these sales and the impact of such sales on Soviet capabilities were relatively unknown, however, the possibility of boycotts was not great. It appears that some reevaluation may be in order in the light of the findings of this study; i.e., the factors entering into the tradeoffs in considering such business may change. This applies certainly to sales to Red China, where we now stand at a point equivalent to about 1921-22 with the Soviet Union. It is eminently clear that comparable sales over a period of 50 years could place Red China on an equal industrial footing with the U.S.S.R. The difference between the early seventies and the early twenties is that we now have the example of the U.S.S.R. before us: trade has built a formidable enemy, while hopes for a change in ideology and objectives not only have gone unfulfilled but are perhaps more distant than they were 50 years ago.

## IMPLICATIONS FOR SOCIO-ECONOMIC SYSTEMS

The Soviet problem is not that the nation lacks theoretical or research capability or inventive genius. The problem is rather that there is a basic weakness in engineering skills, and the system's mechanisms for generating innovation are almost nonexistent.

Table 29-1 suggests the sparseness of Soviet innovation; engineering weaknesses are implicit in continuing plant purchases abroad - while such purchases continue the Soviets are not building plants using their own laboratory discoveries. Why does the Soviet system have such weaknesses?

There is certainly no choice among competing inventions using market criteria, but if more useful Soviet processes existed they would be adopted whether market-tested or not. Absence of the marketplace is not, then, sufficient

{p. 423} reason to explain the absence of innovation. There may be, as has been suggested elsewhere, no compelling pressures to develop innovation despite the fact that the Party is constantly exhorting technical progress. But the explanation that most adequately covers the problem is one that has been previously mentioned though not heretofore stressed - the "inability hypothesis." **The spectrum of engineering skills** required to build a complete polyester plant, a large truck plant, a fast large-capacity computer, and a modern marine diesel engine just does not exist in the Soviet Union. **Sufficient engineering skills do exist for limited objectives** - a military structure can be organized to select and marshal the technology of war, or **a space program can be decreed and realized through top-priority assignment of resources**. But the skills are not present to promote and maintain a complex, self-regenerative industrial structure.

The point to be stressed is that if there were adequate engineering ability some innovation would be forthcoming in the form of original new processes, and such innovation would appear in many sectors of the economy. This is generally not the case. In most sectors the West installs the initial plants and subsequent plants are duplicates based on that Western technology. Once the sector has been established, major new innovations within the sector tend to be either imported technologies or duplicates of imported technologies. Therefore pervasive "inability" in engineering seems the most likely basic explanation. For some reason - and this study has not explored the diverse institutional factors within the system that might be responsible - Soviet central planning has not fostered an engineering capability to develop modern technologies from scratch, nor has it generated inputs (educational, motivational, and material) to achieve this objective.

The world is now presented with 50 years' history of industrial development in the most important of socialist experiments. and censorship can no longer hide the problem. Every new Soviet purchase of a major Western technology is *pari passu* evidence for a central lesson of this study: Soviet central planning is the Soviet Achilles' heel.

{end}

## **(2) Sutton's summary of his trilogy in *National Suicide: Military Aid to the Soviet Union***

**Antony C. Sutton, *National Suicide: Military Aid to the Soviet Union***  
(Australian League of Rights, Melbourne, 1973) Appendix B, pp. 252-263

{The Australian League of Rights, publisher of this book, is the monarchist counterpart of the John

Birch Society. In its publications spanning 50 years or so, it has consistently called for "limited decentralised government" with "reduce[d] taxation", without monopolies either "public or private". Australia had a socialist economy from the 1950s to the 1980s, since sold off to "foreign investors". The Trotskyists, on the Left, were promoting the Free Trade which destroyed that socialism (see [xTrots.html](#)), while, on the Right, the League of Rights played the same role: [xLeague.html](#)}

{p. 252} Appendix B

Testimony of the Author before Subcommittee VII of the Platform Committee of the Republican Party at Miami Beach, Florida, August 15, 1972, at 2:30 pm.

This appendix contains the testimony presented by the author before the Republican Party National Security Subcommittee at the 1972 Miami Beach convention. The author's appearance was made under the auspices of the American Conservative Union; the chairman of the subcommittee was Senator John Tower of Texas.

Edith Kermit Roosevelt subsequently used this testimony for her syndicated column in such newspapers as the Union Leader (Manchester, NH). Both major wire services received copies from the American Conservative Union; they were not distributed. Congressman John G. Schmitz then arranged for duplicate copies to be hand-delivered to both UPI and AP. The wire services would not carry the testimony although the author is an internationally known academic researcher with three

{p. 253} books published at Stanford University, and a forthcoming book from the U.S. Naval Institute.

The testimony was later reprinted in full in Human Events (under the title of "The Soviet Military-Industrial Complex") and Review of the News (under the total of "Suppressed Testimony of Anthony C. Sutton"). It was also reprinted and extensively distributed throughout the United States by both the American Party and the Libertarian Party during the 1972 election campaign.

The following is the text of this testimony as it was originally presented in Miami Beach and made available to UPI and AP.

### **The Soviet Military-Industrial Complex**

The information that I am going to present to you this afternoon is known to the Administration. The information is probably not known to the Senator from South Dakota or his advisers. And in this instance ignorance may be a blessing in disguise.

I am not a politician. I am not going to tell you what you want to hear. My job is to give you facts. Whether you like or dislike what I say doesn't concern me. I am here because I believe - and Congressman Ashbrook believes - that the American public should have these facts.

I have spent ten years in research on Soviet technology. What it is ?what it can do ? and particularly where it came from. I have published three books and several articles summarizing the work. It was

privately financed. But the results have been available to the Government. On the other hand I have had major difficulties with U.S. Government censorship.

I have about 15 minutes to tell you about this work.

In a few words: there is no such thing as **Soviet technology**.

**Almost all - perhaps 90-95 percent - came directly or indirectly from the United States and its allies.** In effect the United States and the NATO countries have built the Soviet

{p. 254} Union. Its industrial *and* its military capabilities. This massive construction job has taken 50 years. Since the Revolution in 1917. It has been carried out through trade and the sale of plants, equipment, and technical assistance.

Listening to Administration spokesman - or some newspaper pundits - you get the impression that trade with the Soviet Union is some new miracle cure for the world's problems.

That's not quite accurate.

The idea that trade with the Soviets might bring peace goes back to 1917. The earliest proposal is dated December 1917 - just a few weeks after the start of the Bolshevik Revolution. It was implemented in 1920 while the Bolsheviks were still trying to consolidate their hold on Russia. The result was to guarantee that the Bolsheviks held power: they needed foreign supplies to survive.

The history of our construction of the Soviet Union has been blacked out - much of the key information is still classified - ? along with the other mistakes of the Washington bureaucracy. Why has the history been blacked out - Because 50 years of dealings with the Soviets has been an economic success for the USSR and a political failure for the United States. It has not stopped war, it has not given us peace.

The United States is spending \$80 billion a year on defense against an enemy built by the United States and West Europe. Even stranger, the U.S. apparently wants to make sure this enemy remains in the business of being an enemy.

Now at this point I've probably lost some of you. What I have said is contrary to everything you've heard from the intellectual elite, the Administration, and the business world, and numerous well-regarded Senators - just about everyone. Let me bring you back to earth.

First an authentic statement. It's authentic because it was part of a conversation between Stalin and W. Averell Harriman. Ambassador Harriman has been prominent in Soviet trade since the 1930s and is an outspoken supporter of yet more trade. This is what Ambassador Harriman reported back to the State Department at the end of World War II:

{p. 255} "Stalin paid tribute to the assistance rendered by the United States to Soviet industry before

and during the War. Stalin\* { \* He, in original } said that about two-thirds of all the large industrial enterprises in the Soviet Union has been built with the United States' help or technical assistance."

I repeat: "two-thirds of all the large industrial enterprises in the Soviet Union had been built with the United States help or technical assistance."

Two-thirds.

Two out of three.

Stalin could have said that the other on-third of large industrial enterprises were built by firms from Germany, France, Britain, and Italy. Stalin could have said also that the tank plants, the aircraft plants, the explosive and ammunition plants originated in the U.S. That was June 1944. The massive technical assistance continues right down to the present day.

Now the ability of the Soviet Union to create any kind of military machine, to ship missiles to Cuba, to supply arms to North Vietnam, to supply arms for use against Israel ? all this depends on its domestic industry. In the Soviet Union about three-quarters of the military budget goes on purchases from Soviet factories.

This expenditure in Soviet industry makes sense. No army has a machine that churns out tanks. Tanks are made from alloy steel, plastics, rubber, and so forth. The alloy steel, plastics and rubber are made in Soviet factories to military specifications. Just like in the United States. Missiles are not produced on missile-making machines. Missiles are fabricated from aluminum alloys, stainless steel, electrical wiring, pumps, and so forth. The aluminum, steel, copper wire and pumps are also made in Soviet factories.

In other words the Soviet military gets its parts and materials

{p. 256} from Soviet industry. There is a Soviet military-industrial complex just a there is an American military-industrial complex. This kind of reasoning makes sense to the man in the street. But the policy makes in Washington do not accept this kind of common sense reasoning, and never have done [so].

So let's take a look at the Soviet industry that provides the parts and the materials for Soviet armaments: the guns, tanks, aircraft.

The Soviets have the largest iron and steel plant in the world. It was built by McKee Corporation. It is a copy of the U.S. Steel plant in Gary, Indiana. All Soviet iron and steel technology comes from the U.S. and its allies. The Soviets use open hearth, American electric furnaces, American wide strip mills, Sendzimir mills and so on ? all developed in the West and shipped in as peaceful trade.

The Soviets have the largest tube and pipe mill in Europe ? one million tons a year. The equipment is Fretz-Moon, Salem, Aetna Standard, Mannesman, etc. Those are not Russian names. All Soviet tube and pipe making technology come from the U.S. and its allies. If you know anyone in the pace

business ask them how many miles of tubes and pipes go into a missile.

The Soviets have the largest merchant marine in the world ?about 6,000 ships. I have the specifications for each ship. About two-thirds were built outside the Soviet Union. About four-fifths of the engines for these ships were also built outside the Soviet Union.

There are no ship engines of Soviet design. Those built inside the USSR are built with foreign technical assistance. The Bryansk plant makes the largest marine diesels. In 1959, the Bryansk plant made a technical assistance agreement with Burmeister & Wain of Copenhagen, Denmark, (a NATO ally), approved as peaceful trade by the State Dept. The ships that carried Soviet missiles to Cuba ten years ago used these same Burmeister and Wain engines. The ships were in the POLTAVA

{p. 257} class. Some have Danish engines made in Denmark and some have Danish engines made at Bryansk in the Soviet Union.

About 100 Soviet ships are used on the Haiphong run to carry Soviet weapons and supplies for Hanoi's annual aggression. I was able to identify 84 of these ships. None of the main engines in these ships was designed and manufactured inside the USSR.

All the larger and faster vessels on the Haiphong run were built outside the USSR.

All shipbuilding technology in the USSR comes directly or indirectly from the U.S. or its NATO allies.

Let's take one industry in more detail: motor vehicles.

All Soviet automobile, truck, and engine technology comes from the West: chiefly the United States. In my books I have listed each Soviet plant, its equipment and who supplied the equipment. The Soviet military has over 300,000 trucks - all from these U.S. built plants.

Up to 1968 the largest motor vehicle plant in the USSR was at Gorki. Gorki produces many of the trucks American pilots see on the Ho Chi Minh trail. Gorki produces the chassis for the GAZ-69 rocket launcher used against Israel. Gorki produces the Soviet jeep and half a dozen other military vehicles. And Gorki was built by the Ford Motor Company and the Austin Company - as peaceful trade. In 1968 while Gorki was building vehicles to be used in Vietnam and Israel further equipment for Gorki was ordered and shipped from the U.S.

Also in 1968 we had the so-called "FIAT deal" - to build a plant at Volgograd three times bigger than Gorki. Dean Rusk and Walt Rostow told Congress and the American public this was peaceful trade - the FIAT plant could not produce military vehicles.

Don't let's kid ourselves. **Any automobile manufacturing plant can produce military vehicles.** I can show anyone who is interested the technical specification of a proven military vehicle (with cross-country capability) using the same capacity engine as the Russian FIAT plant produces.

{p. 258} The term "FIAT deal" is misleading. FIAT in Italy doesn't make automobile manufacturing equipment - FIAT plants in Italy have U.S. equipment. FIAT did send 1,000 men to Russia for erection of the plant - but over half, perhaps well over half, of the equipment came from the United States. From Gleason, TRW of Cleveland and New Britain Machine Co.

So in the middle of a war that has killed 46,000 Americans (so far) and countless Vietnamese with Soviet weapons and supplies, the Johnson Administration doubled Soviet auto output. And supplied false information to Congress and the American public.

Finally, we get to 1972 under President Nixon.

The Soviets are receiving now - today, equipment and technology for the largest heavy truck plant in the world: known as the Kama plant. It will produce 100,000 heavy ten-ton trucks per year - that's more than ALL U.S. manufacturers put together.

This will also be the largest plant in the world, period. It will occupy 36 square miles. Will the Kama truck plant have military potential?

The Soviets themselves have answered this one. The Kama truck will be 50 per cent more productive than the ZIL-130 truck. Well, that's nice, because the ZIL series trucks are standard Soviet army trucks used in Vietnam and the Middle East.

Who built the ZIL plant? It was built by the Arthur J. Brandt Company of Detroit, Michigan.

Who's building the Kama truck plant? That's classified "secret" by the Washington policy makers. I don't have to tell you why.

The Soviet T-54 tank is in Vietnam. It was in operation at Kontum, An Loc, and Hue a few weeks ago. It is in use today in Vietnam. It has been used against Israel.

According to the tank handbooks the T-54 has a Christie type suspension. Christie was an American inventor. Where did the Soviets get a Christie suspension? Did they steal it?

{p. 259} No, sir! They bought it. They bought it from the U.S. Wheel Track Layer Corporation.

However, this Administration is apparently slightly more honest than the previous Administration.

Last December I asked Assistant Secretary Kenneth Davis of the Commerce Department (who is a mechanical engineer by training) whether the Kama trucks would have military capability. In fact I quoted one of the Government's own inter-agency reports. Mr. Davis didn't bother to answer but I did get a letter from the Department and it was right to the point. **Yes! We know the Kama truck plant has military capability, we take this into account when we issue export licenses.**

I passed these letters on to the press and Congress. They were published.



Unfortunately for my research project, I also had pending with the Department of Defense an application for declassification of certain files about our military assistance to the Soviets.

This application was then abruptly denied by DOD.

It will supply military technology to the Soviets but gets a little uptight about the public finding out.

I can understand that.

Of course, it takes a great deal of self-confidence to admit you are sending factories to produce weapons and supplies to a country providing weapons and supplies to kill Americans, Israelis, and Vietnamese. In writing. In an election year, yet.

More to the point - by what authority does this Administration undertake such policies?

Many people - as individuals - have protested our suicidal policies. What happens? Well, if you are in Congress - you probably get the strong arm put on you. The Congressman who inserted my research findings into the Congressional Record suddenly found himself with primary opposition. He won't be in Congress next year.

If you are in the academic world - you soon find it's OK to protest U.S. assistance to the South Vietnamese but never, never protest U.S. assistance to the Soviets. Forget about the Russian academics being persecuted - we mustn't say unkind things about the Soviets.

{p. 260} **If you press for an explanation, what do they tell you?**

First, you get the Fulbright line. **This is peaceful trade. The Soviets are powerful. They have their own technology. It's a way to build friendship. It's a way to a new world order.**

This is demonstrably false.

The Soviet tanks in An Loc are not refugees from the Pasadena Rose Bowl Parade.

The "Soviet" ships that carry arms to Haiphong are not peaceful. They have weapons on board, not flower children or Russian tourists.

Second, if you don't buy that line, you are told, "**The Soviets are mellowing.**" This is equally false. The killing in Israel and Vietnam with Soviet weapons doesn't suggest mellowing, it suggests premeditated genocide. Today - *now* - the Soviets are readying more arms to go to Syria. For what purpose? To put in a museum?

No one has ever presented evidence, hard evidence, that trade leads to peace. Why not? Because there *is* no such evidence. It's an illusion. It is true that peace leads to trade. But that's not the same thing. You first need peace, then you trade. That does not mean [that] if you trade you will get peace.

But that's too logical for the Washington policy makers and it's not what the politicians and their backers want anyway.

**Trade with Germany doubled before World War II. Did it stop World War II? Trade with Japan increased before World War II. Did it stop World War II?**

What was in this German and Japanese trade? The same means for war that we are now supplying the Soviets. **The Japanese Air Force after 1934 depended on U.S. technology.** And much of the pushing for Soviet trade today comes from the same groups that were pushing for trade with Hitler and Tojo 35 years ago.

The Russian Communist Party is not mellowing. Concentrations camps are still there. The mental hospitals take the overload. Persecutions of the Baptists continues. Harassment of Jews continues, as it did under the Tsars.

{p. 261} The only mellowing is when a Harriman and a Rockefeller get together with the bosses in the Kremlin. That's good for business but not much help if you are a G.I. at the other end of a Soviet rocket in Vietnam.

I've learned something about our military assistance to the Soviets. It's just not enough to have the facts - these are ignored by the policy makers. It's just not enough to make a common sense case - the answers you get defy reason.

Only one institution has been clear sighted on this question. From the early 1920s to the present day only one institution has spoken out. That is the AFL-CIO. From Samuel Gompers in 1920 down to George Meany today, the major unions have consistently protested the trade policies that built the Soviet Union. Because union members in Russia lost their freedom and unions members in the United States have died in Korea and Vietnam. The unions know - and apparently care.

No one else cares. Not Washington. Not big business. Not the Republican Party. And 100,000 Americans have been killed in Korea and Vietnam - by our own technology.

The only response from Washington and the Nixon Administration is the effort to hush up the scandal. These are things not to be talked about. And the professional smokescreen about peaceful trade continues.

The plain fact ? if you want it ? is that irresponsible policies have built us an enemy and maintain that enemy in the business of totalitarian rule and world conquest. And the tragedy is that intelligent people have bought the political double talk about world peace, a new world order and mellowing Soviets.

I suggest that the man in the street, the average taxpayer-voter thinks more or less as I do. You do not subsidize an enemy.

And when this story gets out and about in the United States, it's going to translate into a shift of votes. I haven't met one

{p. 262} man in the street so far (from New York to California) who goes along with a policy of subsidizing the killing of his fellow Americans. People are usually stunned and disgusted.

What about the argument that trade will lead to peace? Well, we've had U.S.-Soviet trade for 52 years. The 1st and 2nd Five Year Plans were built by American companies. To continue a policy that is a total failure is to gamble with the lives of several million Americans and countless allies.

You can't stoke up the Soviet military machine at one end and then complain that the other end came back and bit you. Unfortunately, the human price for our immoral policies is not paid by the policy maker in Washington. The human price is paid by the farmers, the students and working and middle classes of America. The citizen who pays the piper is not calling the tune ? he doesn't even know the name of the tune.

Let me summarize my conclusions:

One: trade with the USSR was started over 50 years ago under President Woodrow Wilson with the declared intention of mellowing the Bolsheviks. The policy has been a total and costly failure. It has proven to be impractical ? this is what I would expect from an immoral policy.

Two: we have built ourselves an enemy. We keep that self-declared enemy in business. This information has been blacked out by successive Administrations. Misleading and untruthful statements have been made by the Executive Branch to Congress and the American people.

Three: our policy of subsidizing self-declared enemies is neither rational nor moral. I have drawn attention to the intellectual myopia of the group that influences and draws up foreign policy. I suggest these policies have no authority.

Four: the annual attacks in Vietnam and the war in the Middle East were made possible only by Russian armaments and our past assistance to the Soviets.

{p. 263} Five: this worldwide Soviet activity is consistent with Communist theory. Mikhail Suslov, the party theoretician, recently stated that the current détente with the United States, is temporary. The purpose of the détente, according to Suslov, is to give the Soviets sufficient strength for a renewed assault on the West. In other words, when you've finished building the Kama plant and the trucks come rolling off ? watch out for another Vietnam.

Six: internal Soviet repression continues ? against Baptists, against Jews, against national groups and against dissident academics.

Seven: Soviet technical dependence is a powerful instrument for world peace if we want to use it. So far it's been used as an aid-to-dependent Soviets welfare program. With about as much success as the domestic welfare program. Why should they stop supplying Hanoi? The more they stoke up the war,

the more they get from the United States.

One final thought. Why has the war in Vietnam continued for four long years under this Administration? With 15,000 killed under the Nixon Administration? We can stop the Soviets and their friends in Hanoi any time we want to. Without using a single gun or anything more dangerous than a piece of paper or a telephone call.

We have Soviet technical dependence as an instrument of world peace. The most human weapon that can be conceived. We have always had that option. We have never used it.

{end}

### **(3) Assessment of Sutton's Argument in his Trilogy**

3.1 Although Sutton provides much material, his bias is towards a laissez-faire position - the very economic orthodoxy which has de-industrialized the United States, to the extent that it now is largely an exporter of the same sort of products the USSR once was: raw materials, processed primary products, and military equipment.

The much-vaunted US computer industry relies heavily on Japanese hardware components; and the software side is rapidly losing out to India and other overseas suppliers.

The non-Communist countries Sutton refers to as the "Free World" are now known as the "International Community". Since the fall of the USSR, they have launched numerous wars, and are now seen as "the threat", as the Soviet Union once was.

After the fall of the Soviet Union, the successor states adopted the laissez-faire advice of people like Sutton, as a result of which their economies shrank disastrously. The ruble plummeted in value; populations shrank by millions; women advertised overseas as "mail-order brides", and many emigrated as prostitutes.

Chalmers Johnson, author of *MITI and the Japanese Miracle*, rightly said that the Cold War was won by Japan: [johnson.html](#). Its nationalist-socialist economics combined planning and public ownership of part of the economy, with corporate ownership of the rest. China has moved towards this model.

3.2 Phil Eversoul wrote, of Sutton's summary in *National Suicide*:

Date: Fri, 12 Sep 2003 05:56:16 -0700 From: Phil Eversoul <Philev@e-znet.com>

I think this is a very important piece by Anthony Sutton, for two reasons. First, it describes in detail the Hegelian dialectic used by the treasonous political leaders in Washington to create a fake communist enemy, the Soviet Union. Second, now that the Soviet Union is gone, it raises by implication the question if the same treasonous strategy has not been used in the creation of Communist China.

Let me illustrate what I mean. First, the official doctrine of the Chinese Communist Party is that America is the number one enemy, just as in the old Soviet doctrine.

Second, Sutton points out: "In a few words: there is no such thing as Soviet technology." Is the same true of Communist China, or have Chinese engineers actually produced their own designs for engines, vehicles, computer chips, alloys, missiles, nuclear plants, etc?

Third, Sutton points out, "The history of our construction of the Soviet Union has been blacked out - much of the key information is still classified." Is this also not true of the history of the West's construction of Communist China?

Fourth, we are told, in relation to Communist China just what we were told in relation to the Soviet Union, namely, that trade between hostile powers produces peace. Sutton says, "No one has ever presented evidence, hard evidence, that trade leads to peace. Why not? Because there IS no such evidence. It's an illusion. It is true that peace leads to trade. But that's not the same thing. You first need peace, then you trade. That does not mean [that] if you trade you will get peace."

So, are we not being fed the same nonsensical propaganda regarding Communist China? In other words, if you trade with a declared enemy on the grounds (which you sincerely believe) that the enemy will mellow toward you, then the enemy, particularly a communist enemy, will simply see you as fool. However, Western policy toward communism is actually not based on a sincere belief in converting the enemy, but in using the threat of this supposed enemy as an excuse for globalist policies of "convergence."

To sum up, is not Communist China the same sort of Hegelian-dialectic bogeyman that the Soviet Union was, and created for the same purpose, namely, a tyrannical world government?

### 3.3 Reply to Phil Eversoul

One must bear several qualifications in mind:

Sutton also wrote about US investment in Nazi Germany, in *Wall Street and the Rise of Hitler*.

Eustace Mullins (author of *Secrets of the Federal Reserve*), interviewed, said that Sutton was employed, at the Hoover Institution, by the Rothschilds, and "I always considered Tony to be British Intelligence." <http://www.rense.com/general39/EUSTACE.htm>

The Soviet Government contracted foreign companies to build factories, and as consultants and specialists, much as the US Government or the Australian Government might contract the very same companies.

But can the USSR be blamed for this? When one compares the post-Soviet economies with the Soviet one, surely the Soviet system deserves some credit. Let's not forget the Sputnik, the manned space missions, the missions to Venus etc. Even though foreign technology was copied, they did develop

their own as well.

Sutton does not say how the USSR paid for these foreign orders; presumably by exporting raw materials and primary products ... pretty much what Australia & the US are exporting today.

Today, we in the West are driving Japanese cars; even those not made in Japanese factories, are much influenced by Japanese design. The Ford F100, for example - a Yank Tank - is much inferior to the new Ford F250 - manufactured in Brazil, compact and efficient in the Japanese style.

So, "the West" at present is relying heavily on foreign technology, just as the USSR was some decades ago. But Wall Street "produces" the dollars which the producers take as payment.

### 3.4 Rejoinder from Phil Eversoul

Date: Fri, 12 Sep 2003 05:56:16 -0700 From: Phil Eversoul <Philev@e-znet.com>

There's a very important difference, Peter. **The doctrine of the Soviet Union was Marxist-Leninist, which declares that capitalism, in particular as developed by the United States, is the chief enemy of mankind and must be destroyed.** So the issue is: why are you trading with your supposed enemy who is out to destroy you according to his official declaration of purposes?

The issue is not one of blaming the USSR. Certainly, the communists wanted to take advantage of western technology for their own purposes. The issue is: why did capitalist West want to fund and support their publicly declared worst enemy? In other words, why did the capitalist West fund and support communist purposes?

Sutton destroys the standard answer to this question, in my opinion. The standard answer is that trade promotes peace, but I agree with Sutton that this is not true, particularly when you are trading with a society whose basic aim is to destroy you. I agree that first you must establish peace, i.e., a basis of understanding and mutual respect and tolerance, and only then can trade be mutually beneficial. In regard to communism, the communists would have to renounce their own basic doctrines about the inherent conflict between capitalism and socialism in order to have a peaceful attitude towards the world. And then they would not be communists. So that wasn't about to happen.

We must remember that under Lenin and Stalin, communism was always striving for war against the West. It never allowed the possibility of mutual coexistence, except as a delaying tactic. One of the great proofs of this is **in Viktor Suvorov's *Icebreaker*, in which Suvorov details Stalin's enormous preparations for war against the West to begin in 1941.** Hitler attacked first only because Stalin was about to attack the West within a matter of weeks with the largest armies ever assembled in history.

In other words, the huge contributions of Western technology to the USSR in the 20s and 30s, which Sutton details better than anyone else, had the deliberate purpose (unless you assume extreme stupidity on the part of Western leaders) of allowing Stalin to make war on the West for the purpose of a total communist conquest of Europe, and only Hitler's pre-emptive strike prevented this from

happening and forced Stalin, in the end, to get only half of Europe, which is what caused the Cold War. According to the capitalist-communist plan, Stalin was supposed to get all of Europe, thus demonstrating the inevitable victory of communism. That's what all that Western industry and technology packed into the Urals was supposed to accomplish. And that's what would have happened if Hitler had not dared, against all the careful calculations of Stalin, to attack first.

Later, under Khrushchev, the doctrine of "peaceful coexistence" under the nuclear threat was only intended as a tactic, not a final solution.

"Sutton does not say how the USSR paid for these foreign orders; presumably by exporting raw materials and primary products ... pretty much what Australia & the US are exporting today."

"Today, we in the West are driving Japanese cars; even those not made in Japanese factories, are much influenced by Japanese design. The Ford F100, for example - a Yank Tank - is much inferior to the new Ford F250 - manufactured in Brazil, compact and efficient in the Japanese style."

Phil: Yes, but again this misses the point of the total and absolute hostility to capitalism embodied in communist doctrine. The idea of going ahead with trade with a society that says it wants to destroy you is incredibly stupid, or incredibly sinister. If you discount the stupidity factor, then what you see is a profoundly malevolent agenda. And that's what I see.

"So, 'the West' at present is relying heavily on foreign technology, just as the USSR was some decades ago. But Wall Street 'produces' the dollars which the producers take as payment."

Phil: **Yes, but the technology comes from countries who are not out to destroy the West.** The economic difference between the USSR and Communist China is that the latter is able to turn out an enormous quantity of acceptably produced consumer goods. But I am not aware that Communist China is able, or willing, to create or contribute high-tech, state of the art products to the world. Show me a computer chip, made by Communist Chinese scientists, that is in advance of anything that Western scientists have produced.

Communist China's doctrine, originating in its ruling class, is that it must destroy Western capitalism. This is the same old stuff that justified the original communists, basically the same old Marxism-Leninism with a Chinese twist. And yes, maybe very few in China believe it, but it is the official justification of the state. It is a doctrine of hostility, hate, and unending conflict. Maybe you recall that a few years ago, one of Communist China's highest generals made a veiled threat that if the United States intervened in the Taiwan dispute, Los Angeles would be nuked.

One more point I should add to what I said below: the Soviet communist ideology proclaimed itself to be a society superior in every way to that of capitalism. Millions of liberals, socialists, and communists across the world hailed the advent of Soviet communism as the dawn of a new age for mankind. The inevitability of socialist progress became the correct, "progressive" doctrine for all forward-thinking people. And yet this supposedly superior society was utterly dependent on the "inferior" capitalist West for its very existence. Quite a joke, eh? {end}

### 3.5 Reply to Phil Eversoul:

**Carroll Quigley wrote in his book *Tragedy and Hope* (Macmillan, New York, 1966):**

"... societies such as Soviet Russia which have, because of lack of the tradition of scientific method, shown little inventiveness in technology are nevertheless able to threaten Western Civilization by the use, on a gigantic scale, of a technology almost entirely imported from Western Civilization" (p. 15): [tragedy.html](#).

But if Wall Street were so pro-Soviet, why did they also invest in Nazi Germany? Perhaps they invest in any and all regimes, regardless of "ethical" considerations.

**Ronald Reagan put an end to Technology Transfer to the Soviet Union. He imposed sanctions on Toshiba, and on the Norwegian firm Kongsberg, for exporting hi-tech products to the USSR.**

Phil Eversoul wrote, "Anthony Sutton ... shows clearly that the Soviet Union was created and sustained ENTIRELY by Western technology, engineering, and capital investments".

Phil argues that only privately-owned companies can produce goods and services. Phil pushes the anti-Communist argument to excess, ending up with a justification for selfishness.

During the 1950s & 60s much of Australia's economy was publicly owned & operated ... and those were our "golden years" of relative equality, full employment, and secure family life: [xLeague.html](#).

**As for Sutton's argument about Technology Transfer, one must not conclude falsely from it.** Sutton never denied that the Russian Communists developed any of their own technology. Instead, they reverse-engineered imported technology to save development time. Japan did the same; and now China is doing it.

The USSR's space technology was first-rate; that's why the Atlas-Centaur rocket now uses a Russian engine, the RD-180, by licence: it was found better than American engines: <http://www.spaceline.org/rocketsum/Atlas-IIIa.html>

Russian-Powered Atlas To Challenge Ariane: <http://www.aviationnow.com/content/publication/awst/19991122/aw52.htm>

ATLAS III LIFTS OFF WITH RUSSIAN ENGINES: <http://www.flug-revue.rotor.com/FRheft/FRH0008/FR0008d.htm>

The Incredible Soyuz Launcher "Soyuz is the worlds oldest and most reliable space launcher": <http://www.interspacenews.net/russia's%20soyuz%20booster.htm>

### 3.6 Technology Transfer to Japan, China and Israel



Look around your home - how many devices are made in Japan, or designed in Japan, or have critical components made only in Japan?

During the port strike on the West Coast of the US, car plants in the US were shut down because they depended on supplies of critical components arriving "just in time" from Japan: [http://money.cnn.com/2002/10/01/news/economy/port\\_impact/](http://money.cnn.com/2002/10/01/news/economy/port_impact/)

also see <http://www.sacbee.com/content/business/v-print/story/4619776p-5637955c.html>

Many products exported from China also contain key components made only in Japan.

Technology Transfer to Israel - the case of the Lavi: [lavi.html](#).

Chalmers Johnson on Technology Transfer to Japan and China:

Breaching the Great Wall - by Chalmers Johnson, *American Prospect*, Volume 8, Issue 30  
<http://www.prospect.org/print/V8/30/johnson-c.html> :

"... Nor has China abandoned its strategy of swapping market access for technology transfers from other nations. ..."

Chalmers Johnson on Japan and The Economics of the American Empire

This is from chapter 8 of his book *Blowback: The Costs and Consequences of American Empire* (Henry Holt, 2000)

[http://www.thirdworldtraveler.com/Blowback\\_CJohnson/Japan\\_BCJ.html](http://www.thirdworldtraveler.com/Blowback_CJohnson/Japan_BCJ.html)

{quote} p177 From approximately 1950 to 1975, the United States treated Japan a beloved ward, indulging its every economic need and proudly patronizing it as a star capitalist pupil. ... It also **transferred crucial technologies to the Japanese** on virtually concessionary terms and opened its markets to Japanese products while tolerating Japan's protection of its own domestic market. ...

p192 As the Cold War receded into history, the United States, rather than dissolving its Cold War arrangements, insisted on strengthening them as part of a renewed commitment to global hegemony. Japan was supposed to remain a satellite of the United States, whether anyone dared use that term or not. Meanwhile, annual American trade deficits with Japan soared. **American manufacturing continued to be hollowed out**, while a vast manufacturing overcapacity was generated in Japan and its Southeast Asian subsidiaries. Capital transfers from Japan to the United States generated huge gains for financiers and produced an illusion of prosperity in the United States, but in 1997, it all started to unravel. {endquote}

## (4) Case studies: Tanks and the Space Technology

The USSR's space technology was first-rate; but the Soviet space program was a development from German research.

Shortly before the start of the Korean War, Stalin, at Kim Il-Sung's request, gave 100 T-34 tanks to North Korea; these formed the spearhead of its attack. But the Soviet T-34 tank was a development from a Christie tank sold to the Soviet Union by the United States.

#### **4.1 Antony C. Sutton, *Western Technology and Soviet Economic Development 1945 to 1965*** (Hoover Institution Press, Stanford University, Stanford Ca., 1973).

{p. 270} In sum, about two-thirds of the German aircraft industry with its top designers and many technicians and engineers established the postwar Soviet aircraft industry. Attention was focused first on designs for military use and these then were adapted, sometimes rather crudely, for civilian use; in fact some Russian civilian aircraft have complete military subassemblies.

Gradually, by the 1960s, the Soviets attained some design independence ...

#### THE SOVIET SPACE PROGRAM

Historically, the Russians have had a great interest in rockets. ...

{p. 271} German Rocket Technology At The End of World War II

The major assistance to Soviet rocket ambitions undoubtedly came from Germany at the end of World War II. This assistance may be summarized as follows:

1. The testing sites at Blizna and Peenemunde were captured intact (except for Peenemunde documents) and removed to the U.S.S.R.
2. Extensive production facilities for the V-1 and V-2 at Nordhausen and Prague were removed to the U.S.S.R.
3. The reliability tests from some 6900 German V-2s were available to the Soviets - a major prize.
4. A total of 6000 German technicians (but not the top theoretical men) were transported to Russia and most were not released until 1957-58.

The German weapons program was in an advanced state of development in 1945. ... The Germans undertook two and one-half years of experimental work and statistical flight and reliability evaluation on the V-2 before the end of the war. There were 264 developmental launchings from Peenemunde alone. ...

{p. 273} Many German rocket technicians (as distinct from the top theoreticians in German rocketry) went or were taken to the Soviet Union. ...

{p. 274} In sum, the Soviets got production facilities and the technical level of personnel. The West got the theoretical work in the documents and the top-level German scientists and theoretical

workers.

With true Bolshevik determination the Soviets concentrated talent and resources into a rocket program; the result was Sputnik - which came to fruition in 1957, just at a time when it was essential for strategic reasons for the U.S.S.R. to convince the world of its prowess and technical ability. ...

## German Origins Of Soviet Rockets And Missiles

It is not surprising in view of these technical acquisitions that the postwar rocket and missile industry in the Soviet Union had strong roots in and orientation toward German developments.

The most important Soviet missile developments have taken place with respect to intermediate- and intercontinental-range missiles. In essential features these have been developed from the German V-2, and up to 1959 the developments were attained with German assistance.

### {p. 361} INDIGENOUS INNOVATION IN WEAPONS TECHNOLOGY

Soviet innovation presents a **paradox: an extraordinary lack of effective indigenous innovation in industrial sectors** is offset - so far as can be determined within the limits of open information - by **effective innovation in the weapons sectors**, although some weapons development is akin to "scaling-up" Innovation (see pp. 362-64). As far back as the 1930s some indigenous innovation was achieved in such weapons as machine guns and tanks. Such development has become much more noticeable in recent years. **A recent weapons innovation in which Russian engineers** appear to have conquered a problem unsolved in the U.S. Navy **is that of ship-borne radar**. Although the U.S. Navy has done a great deal of work in radar control of ship-launched or shore-launched missiles, **it remained for the Soviet Styx missile, in the fall of 1967, to sink the Israeli destroyer Elath** at a distance of more than 12 miles with three shots, thus demonstrating dramatically the effectiveness of a radar-guided surface-launched anti-ship missile. ...

{p. 362} By contrast, **economic innovation has no such clearcut technical objectives**, and it does not lend itself to such pretesting. Effective innovation in industrial sectors results from the positive interaction of a myriad of complex forces; it can be realistically tested only in a market situation wherein the market itself determines its success or failure. **Soviet central planning** cannot anticipate key variables because it **lacks the information network of a free market**. Moreover the system provides little incentive to explore the unknown: **central planning necessarily places its emphasis on known technology**, not on revolutionary technology. Therefore **innovation in the nonmilitary sectors is likely to be imported from market economies**.

Thus the Soviets can achieve adequate weapons innovation - given the existence of a reasonably effective back-up industrial structure - while failing miserably in the economic area of industrial innovation.

**Western creation of a viable Soviet industrial structure is therefore also a Western guarantee of a viable Soviet weapons system.** This Western economic support ensures that weapons systems may be developed and brought into production because the output of the industrial sector is the input of

the military sector, which, unlike the industrial sector, has a proved capacity for self-generated innovation.

## SCALING-UP INNOVATION

Review and analysis of Soviet technical achievements outside those offered for export and weapons systems leads to the conclusion that many such other achievements are better described as technical progress attained by means of scaling up Western technologies. This conclusion may be best explained by considering in broad outline the categories in which the Soviets have made indigenous achievements and the relationships between these superficially dissimilar technologies.

**Soviet indigenous technical progress is concentrated in three industrial sectors: iron- and steelmaking** (but not steel rolling), **electricity generation** and high-voltage transmission, **and rocket technology**. It may be noteworthy that each of these three technologies was at one time or another pushed by dominant party personalities: Stalin, as his name implies, favored the iron and steel industry; Lenin of course was the force for the electrification of Russia, and Khrushchev was a force behind the development of rocket and space technology.

Soviet work on blast furnaces has been toward the development of larger volume furnaces and the application of new techniques to the classic process. In open-hearth steelmaking the lines of technical progress are somewhat more complex. In the words of one commentator: "Many things have contributed to the good results obtained by the Soviets on their open hearths, but I feel

{p. 363} that the hot-metal spout and the basic roof setup are unique, and probably very important." Soviet advances in electricity generation have impressed many observers. In 1960 a subcommittee of the U.S. Senate noted that **the Soviet power program produced the largest hydroelectric stations in the world** - yielding the greatest amounts of electricity from the largest generators connected by the longest transmission lines operating at the highest voltage. It was also noted that while in 1960 the heaviest U.S. transmission lines were 345 kv, the Russians then operated 400-kv lines. These were being stepped up to 500 kv and plans called for use of alternating-current transmission up to 1000 kv and direct-current transmission at 800 kv. The subcommittee concluded:

{quote} It is to the Russians' credit that, building on the experience in technology acquired, they have now caught up with the rest of the world in the general field of hydroelectric development. In fact they are actually pre-eminent in certain specific aspects of slch development. {endquote}

In point of fact, this Senate assessment was somewhat overstated. It was based on only a few observations, in themselves accurate but not sufficiently extensive to warrant the broad conclusions reached. In rocket technology the Soviets first absorbed the German technology and then, after about 1960, went ahead on their own with more powerful rockets, in effect a scaling up of the original German rockets. There is a common denominator in each of these seemingly unrelated industrial sectors where the Soviets have made indigenous advance. **In each case the Soviets started with a basic Western technology** - indeed a classic technology - that was well established and had a strong technical literature. The blast furnace dates from the eighteenth century, and the open-hearth furnace from the nineteenth century. In electricity generation the Soviets adopted the Kaplan and Francis

runner systems, and of course long-distance electricity transmission was started in the 1920s. In rockets the Russians have a strong historical interest, but in practical technology they started with the relatively advanced German technology of World War II, and above all they had the reliability trial data from 5700 German tests.

Therefore the essence of each case in which the Soviets have made indigenous advance is that they first acquired and mastered a known and classic technology. In each case the considerable power of the Communist Party chose the industrial

{p. 364} sector for allocation of resources, and indigenous technical progress in each case has been in effect a logical scaling up of an original classic Western technology.

In each case the process technology has a precise technical framework and is capable of expansion in size. For example, in blast furnaces Soviet designers concentrated on increase in cubic volume or on specific developments, such as high top pressure, to increase output from a given volume. The same applies to open-hearth steel furnaces, which at a very early date the Soviets expanded in size to 500 square meters. In electrical generators we find the Soviet effort concentrated on an increase in generation capacity, and in transmission lines we find effort concentrated on increase in voltage transmitted.

Not all Soviet scaling-up efforts are so logically conceived as those cited above. Sometimes they are neither technically nor economically practical; sometimes size for its own sake seems to be the desired goal. For example, Moscow has the tallest television tower in the world. With a full height of 1722 feet this structure comprises a prestressed concrete base 1260 feet high topped by a 462-foot antenna. Conic in profile, it is 196 feet in diameter at the base tapering to 26.5 feet at the top. Construction, which took ten years, was interrupted by a debate as to whether high winds would induce oscillations that would create a safety hazard. The tower is designed to withstand winds of 141 mph, although winds of that velocity occur only about once in 50 years in Moscow. In such a wind the tower will oscillate 32.8 to 36 feet, while it is designed for oscillations up to 42.6 feet. What is the end result of this project? The tower increases television range in Moscow from 30 to 50 miles; hence the incremental benefit is an increase of 20 miles in range, a benefit that hardly seems to justify the costs and risks of the effort. On the other hand, Moscow does have the tallest TV tower in the world.

In a similar vein, at a 1960 chemical exhibition in Europe the Soviets introduced "what must have been the largest model of a chemical plant ever to appear at a European exhibition." There was nothing novel about the plant itself; the model represented a well-established process for making synthetic rubber. But it was the largest model, and that constituted its novelty.

In each of the cases cited as representative of productive indigenous advance, there was an expansion in quantitative terms of a known classic technology. Consequently much Soviet advance actually falls within the category of technical progress acquired by the application of engineering and experimental resources to a given known technology. It is not innovation in the sense that innovation establishes new and formerly unknown technological horizons.

{p. 365} AN OVERVIEW OF TECHNOLOGICAL ORIGINS

We may conclude with empirical justification that Soviet indigenous industrial innovation is limited to two types: (a) scaling up, and (b) the miscellaneous category exemplified by the suture, welding, and minor industrial applications licensed for world marketing in 1967 (see Table 25-1).

Obviously, so far as the Soviet economy is concerned, the more important of these types is scaling-up innovation, whereby the Soviets take a classic Western process and proceed by dint of investment, research, and development work to increase the size or capacity of the productive unit. The results of such technical scaling up may or may not meet the test of the Western marketplace; there is no recorded case of its export to the West. Only the second category has led to attempts to export to the West. The returns from these exports are infinitesimal compared with the resources and talent available within the Soviet Union.

It now remains to bring together the overall picture from 1917 to 1965. Table 25-3 identifies origins for technology in 14 major Soviet industrial sectors in each of the periods examined in the three volumes of this study. Where Soviet innovation is the main process in use, it is noted in capitalized italics. Table 25-3 then, is a final summary of the conclusions from the empirical examination of technology in the U.S.S.R. over the course of 50 years.

Of necessity it is a broad examination. There are indeed many thousands of industrial processes; Table 25-3 includes only the most important and, for purposes of further illustration, a select number of lesser importance. There is no question, for example, that drilling technology is fundamental to oil production or that pig iron production is fundamental to iron and steel production; however, of necessity, numerous less important processes for each industry are omitted. {end}

## **4.2 Antony C. Sutton, *Western Technology and Soviet Economic Development 1930 to 1945*** (Hoover Institution Press, Stanford University, Stanford Ca., 1971).

{p. 238} NEW TRACTOR PLANTS AND TANK PRODUCTION

**A plant for the erection of tractors is well suited to the production of tanks** and self-propelled guns. **The tractor plants at Stalingrad, Kharkov, and Chelyabinsk, erected with Western assistance and equipment, were used from the start to produce tanks,** armored cars, and self-propelled guns. The enthusiasm with which this tank program was pursued and the diversion of the best Russian engineers and material priorities to this end were responsible for at least part of the problem of lagging tractor production.

As early as 1931 the Chain Belt Company representative at Stalingrad reported that the newly opened tractor plant was making 'small tanks.' In 1932 A. A. Wishnewsy, an American whose specialty - production methods - took him into many Soviet plants, reported that the principal emphasis in these plants was on production of munitions and military supplies. In all factories, he stated, at least one department was closed, and he would from time to time run across 'parts, materials, shells and acids' having no relation to normal production.

{quote} He stated that it was particularly true of Tractorostroy [sic] where emphasis is being placed on the production of tanks rather than tractors.

{p. 239} In his opinion, a least for the time being, **the development of tractor production there has been designed to lead up to the production of tanks for military purposes.** {endquote}

Such reports were confirmed a few years later by German intelligence, which concluded that in 1937-8 the Stalingrad Tractor Plant was producing a small three-ton armored car and a self-propelled gun at a rate of one per week, and the T-37 tank, patterned on the British A 4 EII, at the rate of one every four days. The 1937 Soviet War Mobilization Plan, of which the German Wehrmacht apparently had a copy, planned to double this output in case of war.

A similar report was made in late 1932 from the Kharkov Tractor Plant by Ingrarn D. Calhoun, an engineer for the Oilgear Company of Milwaukee who was servicing hydraulic presses and boring machines for cylinder blocks. The Kharkov Tractor Plant, Calhoun stated, was turning out 8 to 10 tanks a day which had a maximum speed of 30 kilometers per hour. Tank production took precedence over tractor production and operators for these were being trained 'night and day.' Calhoun added that 'they can fool the tourists but not the foreign engineers.'

According to the Wehrmacht, the Kharkov tractor plant (the Ordzhonikidze) was producing in 1938 a self-propelled gun at a rate of slightly less than one a week and an armored car at a rate of one every four days. Kharkov also produced the T-26 tank, patterned after the British Vickers-Armstrongs six-tonner. The Soviet War Mobilization Plan envisaged a wartime output tripling the self-propelled gun rate and doubling that of armored cars, but maintaining the same tank production rate.

**In 1937 the Chelyabinsk Tractor Plant, known as the Stalin, was producing tanks of the BT series, patterned after the American Christie.** Output in 1938 consisted of 32 of the 12-tonners and 100 of the BT-38, a 16-tonner. Mobilization Plan output was double these figures.

Thus not only were all three of the new tractor plants producing tanks throughout the 1930s from the date of opening but they were by far the most important industrial units producing this type of weapon. As the projected War Mobilization output was only double the existant output, it can be

{p. 240} reasonably inferred that about one-half the productive capacity of these 'tractor' plants was being used for tank and armored car production from 1931 onwards. Thus the armaments program obviously reduced tractor production and adversely affected the agricultural program. There are also, in the State Department files and elsewhere, numerous reports confirming the adaptability of Soviet general-equipment plants for war use. For example: 'The heavy industry plants are fitted with special attachments and equipment held in reserve which in a few hours will convert the plants into munitions factories. ...'

## THE DEVELOPMENT OF SOVIET TANK DESIGN PRIOR TO WORLD WAR II

**Soviet tanks before World War II owed much to American, British, and, to a lesser extent, French and Italian design work.** Little German design influence can be traced in the period before

1939, except through the German tank center at Kazan, although there were other Soviet-German military links. **During the 1920s and 1930s the Soviets acquired prototype tanks from all producing countries** and based their own development upon the most suitable of these foreign models. The 1932 Soviet tank stock is summarized in table 15-1.

{p. 241} From this early stock of Western models, together with technical-assistance agreements and the continuing purchase of foreign prototypes, we can trace the origins of Soviet tank models of the 1940s.

The Carden-Lloyd was a 1.69-ton machine-gun carrier (predecessor of the British Bren gun carrier of World War II) first produced by Vickers-Armstrongs, Ltd., in 1929. The Mark VI model sold to the Soviets had a Ford Model T 4-cylinder 22.5-horsepower water-cooled engine and a Ford planetary transmission. This became the Soviet T-27 light reconnaissance tank produced at the Bolshevik plant in Leningrad.

The Ordzhonikidze Tractor Plant at Kharkov started work on the T-26, based on the British Vickers-Armstrongs six-tonner (probably Alternative A), at about the same time. There were three versions - A, B, and C - of which B and C became the Soviet standard models produced until 1941. Similarly the Soviet T-37 and T-38 amphibious vehicles were based on the Carden-Lloyd Amphibian, known as the Model A4 E II in the British Army.

**Walter Christie, well-known American inventor with numerous automotive and tank inventions to his credit, developed the Christie tank - the basis of World War II American tanks.** Numerous versions of Christie tanks and armored vehicles were produced in the late 1920s and 1930s. **Two chassis of the Christie M 1931 model medium tank (MB) were purchased by the Soviet Union in 1932** from the U.S. Wheel Track Layer Corporation. After further development work **this became** not only **the Soviet T-32** (the basic Soviet tank of World War II) but also several other development models in the U.S.S.R.: first **the BT** (12 tons), followed by the BT5 and the BT28, of which 100 were produced at the Chelyabinsk tractor 'school' in 1938. They were standard equipment until 1941. **The Soviet T-34 and the American M3, both based on the Christie, had the same 12-cylinder aero engine:** a V-type Liberty of 338 horsepower. Ogorkiewicz comments on the Christie model series as follows:

{p. 242} {quote} The power-weight ratio was actually higher than could be efficiently used, but the Russians copied it all and confined their development largely to armament, which increased from a 37-mm gun on the original models of 1931-32, to 45-mm guns on BT5 of 1935 and eventually to short 76.2-mm guns on some of the final models of the series. {endquote}

**Both the Soviet T-28 medium 29-ton tank and the T-35 heavy 45-ton tank resembled British models** - the A6 medium tank and the A-I Vickers Independent, respectively. However, Ogorkiewicz suggests that, although the layout 'closely resembles' the British models, these tanks were actually a sign of 'growing Soviet independence in the design field.' Imported French Renault designs were not developed, although they no doubt contributed to Russian tank knowledge. During the 1933 entente between France and the Soviet Union, the Renault Company delivered \$11 million worth of 'small fast tanks and artillery tractors' to the Soviet Union and supplied experts from the Schneider works



and Panhard Levasseur, both skilled in the armored-car and tank field. Renault FTs or T-18s were not, however, produced in Russia.

{end}

Whereas Sutton, with his laissez-faire bias, poh-poohs Soviet achievements, Victor Suvorov says that the USSR was developing formidable weapons - admittedly, adapted from Western designs, sold by Western exporters.

### **4.3 Viktor Suvorov, *Icebreaker: Who Started the Second World War?***

Translated from the Russian by by Thomas B. Beattie (Hamish Hamilton, London, 1990).

{p. 14} In 1933, the German colonel (later general) Heinz Guderian visited a Soviet locomotive engineering works at Kharkov. Guderian saw that, in addition to locomotives, **the yard was producing tanks as a side product**. The tanks were being produced at the rate of 22 a day.

When assessing the output of side products at one Soviet plant in peacetime, it must be remembered that in 1933 Germany was producing no tanks at all. **In 1939, Hitler came into the Second World War with 3,195 tanks**, that is, **less than the Kharkov locomotive engineering works, working on a peacetime footing, produced in six months**. When assessing the significance of an output of 22 tanks a day, it must also be borne in mind that in 1940, even after the Second World War had begun, **the United States had in all only about 400 tanks**.

What of the quality of the tanks which Guderian saw at the Kharkov engineering works? **They were tanks which had been created by that American tank genius, J. W. Christie**. Nobody, apart from the Soviet tank makers, appreciated Christie's achievements. One of Christie's American tanks was **bought in the United States and sent to the Soviet Union under false documentation**; the tank was described as an agricultural tractor. The 'tractor' was then produced in large numbers in the Soviet Union as a **Mark BT** - initials for the Russian words

{p. 15} 'high-speed tank'. **The first Mark BTs had a speed of 100 kilometres per hour**. In the present day, there is not a tank crew anywhere which would not envy such a speed.

The shape of the hull of the Mark BT tank was simple and efficient. No tank at that time, not even those being produced for the United States Army, had a similar form of armament. **The best tank in operation during the Second World War was the T34, a direct descendant of the Mark BT**. The shape of its hull was a further development of the ideas of the great American tank builder. The principle of mounting its front armour plating in a sloping position was used, after the T34, on the German Panzer tank and then on all other tanks subsequently produced elsewhere in the world.

In the 1930s, practically all tanks in all tank-producing countries were designed and produced with the engine at the rear and the transmission system at the front. The Mark BT was an exception to this rule. The engine and the transmission system were both in the rear. It would take another quarter-

century before the rest of the world understood the advantages of this structure.

The Mark BT tanks were continuously being improved. Their radius of action on one fuelling was increased to 700 kilometres. Fifty years later this is still a dream for the majority of tank crews. **In 1936, Mark BT tanks produced in series were fording deep rivers underwater and along the river beds.** Even now, at the end of the twentieth century, not all tanks used by the probable enemies of the Soviet Union have the same capability. Installation of diesel engines on the Mark BT tanks began in 1938. This was done elsewhere only ten or twenty years later. Finally, the Mark BT tank carried a weapons system which was very powerful for that time.

Having said so many positive things about the numbers and quality of Soviet tanks, one must note **one minor drawback. It was impossible to use these tanks on Soviet territory.**

The basic characteristic of the Mark BT tank was its speed. The quality so dominated all its other characteristics that it was even used in the name it was given.

The Mark BT is an aggressor tank. In all its characteristics, it

{p. 16} is remarkably **similar to the small but completely mobile cavalry warrior** who emerged from **the countless hordes of Genghis Khan.** This great world conqueror vanquished all his enemies by delivering lightning strikes with great masses of exclusively mobile troops. Genghis Khan destroyed his enemies not, in the main, by force of arms, but by swift manoeuvre in depth. Genghis Khan did not need slow, sluggish knights, but hordes of light, fast-moving troops, capable of covering vast distances fording rivers and moving deep into the rear of enemy territory.

That was just what the Mark BT tanks were like. **By 1 September 1939, more of them had been produced than any other tank of any other type by any other country** anywhere else in the world. The mobility, speed and radius of action were bought at the price of lighter and less thick, though still efficient armour. **Mark BT tanks could only be used in an aggressive war,** only in the rear of the enemy and only in a swift offensive operation, in which masses of tanks suddenly burst into enemy territory, bypassing his centres of resistance and racing into the depth of his heartland, where there were no enemy troops, but where his towns, bridges, factories, aerodromes, ports, depots, con all posts and communications centres were situated.

The strikingly belligerent qualities of the Mark BT tank were also achieved by means of using **a unique system of tracks and suspension.** On unmade roads, the Mark BT operated on **heavy caterpillar tracks,** but once **on a good road, the tracks were discarded and it then shot ahead on wheels,** like a racing car. It is, however, well known that **speed is not compatible with cross-country performance.** The choice is therefore between, on the one hand, a high-speed car which will go only on good roads, or on the other, a slow-moving tractor, which will go anywhere. The Soviet Marshals favoured the high-speed car. Thus, the Mark BT tanks were quite powerless on Soviet territory. **When Hitler began Operation Barbarossa, practically all the Mark BT tanks were cast aside.** It was almost **impossible to use them off the roads,** even with caterpillar tracks. They were never used on wheels. The potential of these tanks was never realized, but it certainly could never have been realized on Soviet territory. **The Mark BT was created to operate on foreign territory only and,**

{p. 17} what is more, only on territory where there were good roads, as already observed.

**Let us glance at the Soviet Union's neighbours. Then, as now, there were no good roads in Turkey, Iran, Afghanistan, China, Mongolia, Manchuria, or Northern Korea. Zhukov used Mark BT tanks in Mongolia, where the terrain is as flat as a billiard table. However, he used them only with caterpillar tracks and was dissatisfied with them. Off the roads, the tank tracks often raced round without gripping the surface, while the wheels, because of the comparatively great pressure they had to bear, whether they were off the road or even on unmade roads, simply spun round and sank into the earth while the tank remained stationary.**

To the question, where could the enormous potential of these Mark BT tanks be successfully realized, there is only one answer: in central and southern Europe. The only territories where tanks could be used, after their caterpillar tracks were removed, were Germany, France and Belgium. To the question as to which is more important for the Mark BT tanks, the wheels or the caterpillar tracks, Soviet textbooks of that period give a clear-cut answer: the wheels. **The most important characteristic of the Mark BT, speed, is attained on wheels. Caterpillar tracks are only a means for reaching foreign territory.** For instance, Poland could be crossed on caterpillar tracks which, once the German autobahns had been reached, could then be discarded in favour of wheels, on which operations would then proceed. Caterpillar tracks were regarded as an auxiliary device which was supposed to be used only once in war, then to be discarded and forgotten. It is exactly **like the parachutist who uses his parachute for the sole purpose of landing in enemy territory.** Once there, he throws the parachute away so that he can operate without being burdened by a heavy load which he no longer needs. It was precisely this attitude which was adopted towards caterpillar tracks. Those Soviet divisions and army corps which were equipped with Mark BT tanks did not have on their complement any vehicles whose purpose it was to recover the caterpillar tracks which had been thrown away and bring them back. After the Mark BT tanks had discarded their tracks, they had to finish the war on wheels.

{p. 18} Some types of Soviet tanks were named after communist leaders, like the 'KV', for Kliment Voroshilov, and the 'JS' for Joseph Stalin. Most Soviet tanks, however, were given a designation which contained the index letter 'T'. Sometimes, in addition to 'T', the index included the letter 'O' (which stands for the Russian word for 'flame-throwing'), 'B' (the initial letter of the Russian word for 'high speed') or 'P' (indicating 'amphibious')

**Then in 1938, the Soviet Union began to work intensively on the production of a tank which bore the highly unusual index number of A-20.** What does 'A' mean? There is not one Soviet textbook which gives the answer to this question and to date it remains undeciphered by many experts. For a long time I sought an answer and finally found it at Factory No. 183. This plant produced locomotives, but had other, less 'peaceful' production on the go at the same time. People with great experience at this plant say that the original meaning of the index letter 'A' in this case stood for 'Autostradnyi' - motorway. Personally I find this explanation convincing. **The Mark A-20 tank was the latest development in the Mark BT family.** The main characteristic of the Mark BT figured in its name, so why should the main characteristic of the Mark A-20 not be expressed in the same way? The purpose, I suggest, of the Mark A-20 was to reach the motorways on its caterpillar tracks and, once there, to discard the tracks, and convert itself into the king of speed.

At the end of the twentieth century **the Soviet Union does not have one kilometre of highway which can be even remotely described as a motorway**. Fifty years ago, and for long after that, there were no motorways in Soviet territory. Nor were there motorways in any of the countries which bordered the Soviet

{p. 19} Union in 1938. One year later, however, in 1939, Stalin partitioned Poland under the Molotov-Ribbentrop pact and thereby established a common frontier with a country which did have motorways. That country was Germany. It is said that Stalin's tanks were not ready for war. That was not so. They were not ready for a *defensive* war on their own territory. They were, however, designed to wage war on others.

As it was for Soviet tanks, so it was for Soviet aircraft in both quality and numbers. Communist falsifiers of the facts say nowadays that the Soviet Union did of course have many aircraft, but the majority were inferior. They were obsolete planes and they therefore could be disregarded. Let us consider only the contemporary Soviet aircraft- the MIG-3, the YAK-1, the PE-2, the IL-2; in doing so we shall in no way find ourselves discussing antiquated flying machines. **Alfred Price was a British airman who, throughout his lifetime, flew 45 types of aircraft and logged more than 4,000 flying hours. This is what he thought of these 'antiquated flying machines':**

{quote} **The most heavily armed fighter in service in September 1939 was the Russian Polikarpov I-16**, a progressive development of an aircraft which had first entered service in 1934 and fought in the Spanish Civil War. .. **In terms of armament ... it had never been surpassed.** ... {endquote}

{p. 115} CHAPTER 13

## The Winged Tank

Training hundreds of thousands of paratroopers and providing parachutes for their use was only part of the task. Military transport planes and gliders were also required. The Soviet leaders understood this very well. That is why the parachute psychosis of the 1930s was also accompanied by a glider psychosis. **Soviet glider pilots and their gliders were well up to world standards, and indeed higher.** By the beginning of the Second World War, **out of eighteen world gliding records, thirteen were held by the Soviet Union.**

The best builders of Soviet military aircraft were sometimes deflected from their main work in order to make glider planes. Even Sergei Korolev, who was later to create the first sputnik, was set to work on developing gliders, which he did with great success. **If builders of war planes and ballistic missiles were put to work on making gliders, the purpose was obviously not simply to win world records.** Had Stalin been interested in breaking records, why did he not put the best minds to work on creating new racing bicycles?

{p. 116} That Soviet gliding was heading in a military direction is beyond dispute. Even before Hitler came to power, the Soviet Union had seen the creation of the first airborne cargo glider in the world,

the G-63, made by the plane builder Boris Dmitriyevich Uralpov. Heavy gliders were invented which were capable of lifting a freight-carrying vehicle. P. Gorokhovskiy even created an inflatable rubber glider; after they had been used behind enemy lines, they could be loaded on to a transport aircraft and returned to their own territory to be used again.

**The Soviet generals were dreaming of throwing** not only hundreds of thousands of **airborne infantrymen into the West**, but hundreds and possibly thousands of **tanks as well**. Soviet aircraft designers were looking hard for a way in which to realize this dream by the most simple and least expensive means. **Oleg Antonov**, who was **later to design the largest military transport aircraft** in the world, **suggested that the ordinary tank**, produced in series, **should be fitted with wings** and a tail unit, and its hull used as the framework for the whole of this surprisingly simple construction. **This system was given the initials KT**, which stood for the Russian words for '**winged tank**'. The switchgear for the air vanes was fixed on to the tank cannon. The tank crew controlled the flight from inside the tank by means of turning the turret and raising the barrel of the cannon. The entire construction was astonishingly simple. Of course, the risks involved in flying in a tank were unusually high, but then human life was cheap.

**The KT flew in 1942. There is a unique photograph of a tank, complete with wings and tailpiece, flying through the air**, in a book (*Soviet Tanks and Combat Vehicles of World War Two*, 1984) published by Stephen Saloga, a prominent Western tank expert.

{Here is the photograph, between pages 168 and 169: [icebreaker-p.168-9.jpg](#)}

Just before landing, the tank engine started up and its caterpillar tracks began revolving at maximum speed. The KT then landed on its own tracks and gradually braked. The wings and tailpiece were then discarded, and the KT became an ordinary tank again.

Oleg Antonov missed the beginning of the war with his winged tank; hostilities did not begin as Stalin had planned, and this extraordinary machine turned out to be just as unnecessary as the million parachutists.

{p. 117} The Soviet plane designers had their mistakes and failures, their frustrations and defeats. But their successes were beyond doubt. The Soviet Union entered the war with many times more gliders and glider pilots than the rest of the world put together. In 1939 alone, the Soviet Union had 30,000 trainees simultaneously under instruction in glider-flying. Piloting skills often attained a very high standard. In 1940, for example, a demonstration was given in the Soviet Union of a flight of eleven gliders being towed by one aircraft.

Stalin did everything to ensure that there were enough gliders available for his pilots. It was not single-seater sports gliders that he had in mind, of course, but multi-seater ones built for airborne assault. The end of the 1930s saw intensive competition between more than ten Soviet aircraft design offices to see who could create the best airborne assault glider. Apart from the winged tank, Oleg Antolov also designed the multi-seater A-7 airborne assault glider; V. Gribovskiy invented the excellent G-II airborne assault glider; D. N. Kolesnikov designed a glider, the KZ-20, which could carry twenty soldiers; while G. Korbula was working on the design of a jumbo glider.

In January 1940, the Central Committee (that is to say Stalin) ordered that a Directorate for the Production of Airborne Assault Transport Gliders be set up under the Peoples' Commissariat for the Aviation Industry. 1940 was taken up with intensive preparatory work, but from spring 1941 onwards, mass production of airborne assault gliders began in the plants operating under this new directorate.

This burst of glider production has interesting implications. The gliders produced in the spring of 1941 would have to have been used in the summer of that year, or by early autumn at the latest, since it would have been impossible to keep them safe until 1942. All the hangars, and there were not very many of them, had long been crammed full of the gliders which had already been produced. It would have been simply out of the question to keep a great airborne assault glider in the open air for any length of time, exposed to the rains and winds of autumn, to frosts and to heavy snowfalls weighing many tons.

The mass production of airborne assault transport gliders in

{p. 118} 1941 meant that they were intended to be used in 1941. If Stalin had intended to throw hundreds of thousands of his paratroopers into Western Europe in 1942, then the mass production of gliders would have had to be planned for 1942.

**The glider is a means of delivering cargoes and groups of paratroopers without parachutes.** Paratroopers equipped with parachutes are conveyed into the areas behind enemy lines by military transport aircraft. **The best military transport plane in the world at the outbreak of war was the legendary American C-47 or 'Dakota'. This excellent aircraft, albeit under another name, formed the base upon which Soviet military transport aviation was built.** For some reason or other, **the United States government sold Stalin the licence to produce it before the war**, along with the highly complex equipment which it needed. Stalin took full advantage of this opportunity. So many of these C-47s were produced in the Soviet Union that some American experts believe that, when the war began, the Soviet Union had more of these aircraft than the United States did.

In addition to the C-47s, the Soviet Union also had several hundred obsolete TB-3 bombers, which had been down-graded to military transport aircraft. All the large-scale airdrops which took place in the 1930s were made from TB-3 aircraft. Stalin had enough of them to airlift several thousand parachutists and heavy weapons, including light tanks, armoured cars and artillery, simultaneously.

No matter how many military transport aircraft Stalin built, he would have had to use them intensively, day and night, over a period of weeks or months if he wanted to carry a great body of Soviet paratroopers into the enemy hinterland, and then keep them in supplies. This gave rise to the problem of how to keep the aircraft undamaged on their first trip, so that they could make subsequent runs. The losses of aircraft, gliders and paratroopers on the first trip could be enormous; on the second, they would be even greater, because the element of surprise would have been lost.

{p. 119} The Soviet generals understood this very well. It was obvious that a massive drop of paratroopers could only be achieved if the Soviet Union had absolute supremacy in the air. The

newspaper *Red Star* stated quite categorically on 27 September 1940 that it was impossible to land these great numbers of parachutists successfully without air supremacy.

The *Field Service Regulations* is the basic document, graded top secret, which lays down the procedures for Red Army operations in war. The issue which was in force at the time was *Field Service Regulations 1939*, known as PU-39. It lays down simply and clearly that an 'operation in depth' in general, and a mass drop of parachutists in particular, can only be carried out in conditions where the Soviet Air Force has supremacy in the air. The *Field Service Regulations*, as well as the *Operational Air Force Regulations and the Instructions on the Independent Use of Air Force* all envisaged a vast strategic operation to be carried out in the initial period of the war, with the purpose of knocking out the enemy's air power. According to the design of the Soviet Command, air arms from various fronts and fleets, the air arm of the High Command and even the fighter arm of the Anti-Aircraft Defences (PVO) all had to take part in that operation. These regulations considered that the element of surprise was the main guarantee of the success of the operation. The surprise operation to knock out enemy air power had to be carried out 'in the interests of the war as a whole'. In other words, the surprise strike at the airfields had to be so powerful that the enemy air force would not be able to recover from it before the war ended.

In December 1940, at a secret meeting attended by Stalin and members of the Politburo, a senior commander of the Red Army discussed the details of such operations. These were called, in Soviet jargon, 'special operations in the initial period of war'. General Pavel Rychagov, the officer commanding the Soviet Air Force, insisted on the necessity of camouflaging the Soviet Air Force's preparations in order to 'catch the whole of the enemy air force on the ground'.

It is quite obvious that it is not possible 'to catch the whole of the enemy air force on the ground' in time of war. It is only possible to do so in peacetime, when the enemy does not suspect the danger.

{end}

Note that Sutton's name is NOT "Anthony", but "Antony". And don't forget the middle initial, "C". Sutton's books all identify him as "Antony C. Sutton". Any other author is not him.

I have many of Sutton's books. I think he's right in many ways, but not in every way.

For example, there's good evidence that the Bolshevik Government was created by Jews: [russell.html](#), and [wilton.html](#).

Sutton may have thought so, but he knew he could not say so directly.

He implies that Wall St is monolithic, funding opposites (USSR, Nazi Germany) so that they can fight it out and reach a predestined conclusion.

More likely in my opinion, is that Wall St itself has factions. The Jewish faction (Schiff) probably funded the Bolsheviks, although I have seen no firm proof of this.

An anti-Communist faction may have funded the Nazis.

As a variation on Sutton's findings, there is a view that, Wall St having set up the USSR as a Jewish conspiracy, but Stalin having stolen the conspiracy from them, they then backed Hitler in order to destroy Stalin: [money-masters.html](#).

World War II could well have been won by the Nazis. I don't believe that Wall St financiers could have seen the outcome clearly in advance, as Sutton implies.

When James Burnham, a Trotskyist who became a leading anti-Communist, wrote his book *The Managerial Revolution* - from which George Orwell derived the tripolar world he depicted in *1984* - he depicted Hitler defeating the Soviet Union, and amalgamating its western portion into Eurasia, the eastern part going to Eastasia: [burnham.html](#).

Sutton says that these same Wall St people are now building up China, in order to engage it in war with the US.

Too much of Sutton's stuff looks plausible in retrospect. After the event, we know who came to war.

Before the event, we know that war is possible with any of several countries. That doesn't mean that we cut off relations with all of them ... stop trade etc.

But AFTER the war, critics might argue that we should have done so earlier, on the ground that we were heading for war. That's taking the later fact of war into account, as if it could have been known before the war.

Antony C. Sutton on the Bank for International Settlements:

## **(5) Sutton on the Bank for International Settlements**

**Antony C. Sutton, *Wall Street and the Rise of Hitler*** (Bloomfield Books, Sudbury, Suffolk, 1976).

{p. 17} Carroll Quigley has shown that the apex of this international financial control system before World War II was the Bank for International Settlements, with representatives from the international banking firms of Europe and the United States, in an arrangement that continued throughout World War II. During the Nazi period, Germany's representative at the Bank for International Settlements was Hitler's financial genius and president of the Reichsbank, Hjalmar Horace Greeley Schacht.

Hjalmar Horace Greeley Schacht

Wall Street involvement with Hitler's Germany highlights two Germans with Wall Street connections - Hjalmar Schacht and "Putzi" Hanfstaengl.



{p. 26} However, it was Schacht, not Owen Young, who conceived the idea which later became the Bank for International Settlements.

{p. 27} B.I.S. - The Apex of Control

This interplay of ideas and cooperation between Hjalmar Schacht in Germany and, through Owen Young, the J.P. Morgan interests in New York, was only one facet of a vast and ambitious system of cooperation and international alliance for world control. As described by Carroll Quigley, this system was "... nothing less than to create a world system of financial control, in private hands, able to dominate the political system of each country and the economy of the world as a whole.

This feudal system worked in the 1920s, as it works today, through the medium of the private central bankers in each country who control the national money supply of individual economies. In the 1920s and 1930s, the New York Federal Reserve System, the Bank of England, the Reichsbank in Germany, and the Banque de France also more or less influenced the political apparatus of their respective countries indirectly through control of the money supply and creation of the monetary environment. More direct influence was realized by supplying political funds to, or withdrawing support from, politicians and political parties. In the United States, for example, President Herbert Hoover blamed his 1932 defeat on withdrawal of support by Wall Street and the switch of Wall Street finance and influence to Franklin D. Roosevelt.

Politicians amenable to the objectives of financial capitalism, and academies prolific with ideas for world control useful to the international bankers, are kept in line with a system of rewards and penalties. In the early 1930s the guiding vehicle for this international system of financial and political control, called by Quigley the "apex of the system," was the Bank for International Settlements in Basle, Switzerland. The B.I.S. apex continued its work during World War II as the medium through which the bankers - who apparently were not at war with each other - continued a mutually beneficial exchange of ideas, information, and planning for the post-war world. As one writer has observed, war made no difference to the international bankers:

{p. 28} {quote} The fact that the Bank possessed a truly international staff did, of course, present a highly anomalous situation in time of war. An American President was transacting the daily business of the Bank through a French General Manager, who had a German Assistant General Manager, while the Secretary-General was an Italian subject. Other nationals occupied other posts. These men were, of course, in daily personal contact with each other. Except for Mr. McKittrick [see infra] they were of course situated permanently in Switzerland during this period and were not supposed to be subject to orders of their government at any time. However, the directors of the Bank remained, of course, in their respective countries and had no direct contact with the personnel of the Bank. It is alleged, however, that H. Schacht, president of the Reichsbank, kept a personal representative in Basle during most of this time. {endquote}

{end}

The quality of Sutton's research is such that the Establishment does not mention his name.

In his later years, Antony C. Sutton was tipped off about the Order of Skull & Bones, to which George Bush snr & George W. Bush belong, a freemason-type body based, he says, at Yale University. Sutton wrote a number of books about it.

In one of his books, Sutton claims that Wall St is building up China today, so as to pit it in war vs. the US tomorrow.

He has a Hegelian mentality, in which Wall St builds up a Thesis, and also builds up its Antithesis, in order to play them off against one another, achieving a Synthesis.

One caution about Sutton: he writes with the benefit of hindsight, in a somewhat teleological way.

The US & EU currently trade with China, Japan, Russia, Islamic countries, etc. If war breaks out with one or more, Sutton (now deceased) might have claimed that Wall St had been building that country up. But in prospect (rather than retrospect) one cannot tell with whom war will break out. One does not, nevertheless, avoid all trade.

As a favourite of the John Birch Society, and League of Rights, Sutton opposes Government management of the economy. As such, he has contributed to Thatcherism, Reaganomics, extreme Libertarianism (even the economic anarchy of Free Trade).

Ronald Reagan seemed to take Sutton's advice, when, after Toshiba had sold advanced ball bearings to the USSR, he banned Toshiba products from the US market. This high-profile action ensured the cutting-off of the USSR from newly developed Western technology.

Despite the above, Sutton's books contain a wealth of unparalleled information; they are indispensable.

## **(6) Eustace Mullins interview on Sutton**

**Eustace Mullins** (author of *Secrets of the Federal Reserve*) **surmises**, in the following interview, **that Sutton worked for British Intelligence**:

An Afternoon With Eustace Mullins By James Dyer c. 2003 <http://www.rense.com/general39/EUSTACE.htm>

{start} **On the John Birch Society ...**

**JBS was setup by Nelson Rockefeller.** I knew two people at the original meeting. **They needed a right-wing, anti-communist organization.** NR decided that Robert Welch was the man to run JBS, so he arranged for the sale of Welch's Candy Co. (where Robert Welch had been working for his brother John) to Nabisco (which was a Rockefeller controlled company) at a highly inflated price and Welch was given an income to run the John Birch Society.

Revalo Oliver was a good friend of mine and he was one of the founders of the JBS. He and I were sitting in his living room once and he told me that he knew Nelson Rockefeller ran the Birch Society because he had a revolving fund at Chase Manhattan Bank, and whenever Welch needed a quarter million dollars to meet the payroll, he'd go to CMB and withdraw the money.

Oliver told you that?

Himself. One of the founders, can't ask for better authority than that.

... What about Jews? Are you an anti-semite?

I've always tried to defend that. When I went to New York in 1952, I met a lot of very Conservative Jews, Henry Klein, Benjamin Freedman and others, and they were real Jews by faith and race. The real Jews were Orthodox Jews, and they've believed for 2000 years that there can be no Jewish kingdom on earth until the coming of the Messiah. Of course, they refuse to admit that Jesus was the Messiah, so no Jewish kingdom...

In 1810, the Rothschilds began to push for a country for the Jews, so they created a new brand of Judaism called Reform Judaism which would establish a new Jewish country, which is now Israel. Only the Rothschilds could do that because to create a worldwide movement costs a lot of money.

Theodor Herzl's *The Jewish State* was originally called *Address to the Rothschilds*

They financed Karl Marx and the League of Just Men, too. **They financed Judaism, Communism and Nazism.** Their goal has been constant, and you can't succeed unless you have goals. (chuckles)

... What's gonna happen to Bush?

He's no FDR, they can't elect him four times. He'll be forgotten quickly. His father'd be forgotten except that his son is president.

**Speaking of Skull and Bones, did you know Anthony Sutton at all?**

I knew him well. I traveled with him for years.

His scholarship was very good. **He was at the Hoover Institution, which was a Rothschild setup.** It was setup after WWI to rewrite history. The Rothschilds sent hundreds of people through Europe after the war, through all the war-torn countries, to gather up as many records as they could so they could control their version of history.

Was that Sutton's take, too?

Well, **I always considered Tony to be British Intelligence.** He died last year, but I hadn't seen him in several years because he was on the lam for eight years. He'd embezzled money from several

people, promising to write books and never wrote them. What had happened was that he'd married a young Japanese girl and she had very expensive tastes, so he ran up a lot of debts.

That's how they always screw you up...

I guess he was very happy with her, she was probably very pretty. I've spent a lot of time in Japan in the past 15 years, and the Japanese probably make the best wives. Very intelligent and they're not depressing.

I think that's why there's so much homosexuality in the US, because the women are so impossible. They're mean, greedy, vindictive, so whatever feminine qualities they have are almost totally submerged.

Let's touch on the Council on Foreign Relations...

The CFR was a phoney institution, they've never had any power at all. They take their orders from the Royal Institute of International Affairs in London, the Rothschilds. This bugaboo about the CFR has always made me laugh. Back in the 50's everybody thought the United States was ruled by this corrupt, sinister organization. In fact the CFR was a bunch of fatcats that got together in New York City, had dinner in luxurious hotels...they were all wealthy people, CEOs of banks and insurance companies and so forth...

So their place in the scheme of things is...?

They're strictly a diversion. They had no power, and their policies were always written by the RIIA in London at Chatham House. I can't find an instance where the CFR has inaugurated a policy of any kind. Even today, people read books from the 50's about the sinister CFR and how sinister they are, like a KGB ruling the US...I always thought it a joke.

How deep into American society is Israeli intelligence?

It's universal. All the newspapers. Most of Mossad is volunteer anyway. They don't have to go looking for it. All sensitive, confidential information is coming in from every government office every day. They've got better intelligence than George Bush has.

In both senses of the word...

Everything Bush gets is filtered, but Mossad gets the straight dope. ... Let's talk about the Ruling Class: Jewish, Gentile, Gentile- Jewish...?

**It's more Gentile than Jewish, but the policies are ultimately Zionist-Jewish, through the Rothschild family.**

They don't give a damn about Jew or Christian, however. They'll organize a massacre of Jews or

Christians if it serves their purposes. Most of the pogroms in Europe were organized by Jews as a matter of policy.

They do the same thing in this country. Attacks on govt. buildings, OKC bombing, Waco, etc. are threats of terror in order to control people.

You've been studying these things for 60 years, and some members of my generation are just waking up to what you know. This thing has a million names, The New World Order, the Octopus...

You can call it anything, and it's still the same thing. It's five thousand years old. You're not talking about something new when you speak of the CFR. They'll use the CFR for a while and then abandon it and setup something else. The Bilderbergers, the Trilateral Commission, what have you...

You say this goes back five thousand years...

It's a generational war. We're locked in the policies of the past...the Babylonian money system, the Babylonian religious system ...

{end}

## **(7) Soviet spies steal a Trojan Horse - causing a gas explosion; KGB Veteran Denies CIA Caused '82 Blast**

(7.1) Cold War hotted up when sabotaged Soviet pipeline went off with a bang

*Sydney Morning Herald*, February 28 2004

By David Hoffman

<http://www.smh.com.au/text/articles/2004/02/27/1077676970856.html>

The former US president Ronald Reagan approved a CIA plan to sabotage the economy of the former Soviet Union, which resulted in "the most monumental non-nuclear explosion and fire ever seen from space" a Reagan White House official says.

**The CIA covertly transferred technology containing malfunctions, including software, that later triggered a huge explosion in a Siberian natural gas pipeline** in mid-1982, Thomas Reed, a former air force secretary, then a member of the National Security Council, writes in a new memoir.

Reed says the pipeline explosion was just one example of "cold-eyed economic warfare" the CIA carried out, under its director William Casey, during the final years of the Cold War with the Soviet Union.

The US was trying to stop western Europe from importing Soviet natural gas, and there were also

signs that **the Russians were trying to steal Western technology**. A KGB insider then gained access to Russian purchase orders and **the CIA slipped the flawed software to the Russians**.

"The result was the most monumental non-nuclear explosion and fire ever seen from space," Reed recalls in *At the Abyss: An Insider's History of the Cold War*, to be published next month.

"While there were no physical casualties from the pipeline explosion, there was significant damage to the Soviet economy," he writes. "Its ultimate bankruptcy, not a bloody battle or nuclear exchange, is what brought the Cold War to an end.

"In time the Soviets came to understand that **they had been stealing bogus technology**, but now what were they to do? By implication, every cell of the Soviet leviathan might be infected. They had no way of knowing which equipment was sound, which was bogus. All was suspect, which was the intended endgame for the entire operation."

The CIA learnt of the full extent of the KGB's pursuit of Western technology in an operation code-named Farewell Dossier. Portions of the operation have been disclosed earlier, including in a 1996 paper in *Studies in Intelligence*, a CIA journal. The paper was written by Gus Weiss, an expert on technology and intelligence who served with Reed on the National Security Council and was instrumental in devising the plan to send the flawed materials to the former Soviet Union. He died last year.

In January 1982 Weiss proposed slipping the Russians technology that would work for a while, then fail. Reed said the CIA "would add 'extra ingredients' to the software and hardware on the KGB's shopping list".

"Reagan received the plan enthusiastically," Reed writes. "Casey was given a go."

The sabotage of the gas pipeline has not been previously disclosed, and at the time was a closely guarded secret. When the pipeline exploded, Reed writes, the first reports caused concern in the US military and at the White House.

"NORAD [North American Air Defence Command] feared a missile lift-off from a place where no rockets were known to be based," he said. "Or perhaps it was the detonation of a small nuclear device." However, satellites did not pick up any telltale signs of a nuclear explosion. "Before these conflicting indicators could turn into an international crisis, Gus Weiss came down the hall to tell his fellow [National Security Council] staffers not to worry."

The Washington Post

{end}

**(7.2) How the CIA "helped the Soviets with their shopping"**

Thomas C. Reed, *At the Abyss: an Insider's History of the Cold War* (Ballantine Books, New York, 2004).

{p. 266} THE FAREWELL DOSSIER

There could be no clearer delineation between the Old Shoes and the Pragmatists than the matter of the Farewell dossier.\*

In the early 1970s the Nixon administration put forth the idea of detente. Henry Kissinger's hopes were that "over time, trade and investment may leaven the autarkic tendency of the Soviet system." He believed that detente might "invite the gradual association of the Soviet economy with that of the world economy and thereby foster interdependence that adds an element of stability to the political relationship."

Leonid Brezhnev did not quite see it the same way. In 1972 he told a group of senior party officials: "We communists have to string along wltth the capitalists for a while. We need their credits, their agriculture, and their technology. But we are going to continue massive military programs, and by the mid-1980s we will be in a position to return to an aggressive foreign policy desihned to gain the upper hand with the West."

Reagan was inclined to ignore Kissinger's theories of detente and to take Chairnnan Brezhnev at his word, but all doubt was swept away on July 19, 1981, when the new American President met with President Francois Mitterand of France at an economic summit meeting in Ottawa. In a side conversation, Mitterand told Reagan of his intelligence service's success in recruiting a KGB agent in Moscow Center. The man was part of a section evaluating the take from Soviet efforts to ac-

\* The tale that follows is extracted, and in some cases quoted, from unpublished notes by Gus Weiss: *The Farewell Dossier: Strategic Deception and Economic Warfare in the Cold war*, 2003.

 Kissinger on Detente. Harcourt-Brace, 1994.

: Revealed by the Department of Defense in hearings before the House Commllttee on Banking and Currency, 1974.

{P. 267} quire, and if necessary steal, Western technology. The source, Colonel Vladimir I. Vetrov, was designated "Farewell" by the French DST. He enjoyed an ideal port for viewing the work of the "Line X" collection apparatus within the KGB's Technology Directorate.

Reagan expressed great interest in Mitterand's sensitive revelations and was grateful for his offer to make the material available to the U.S. administration. The dossier, added to the "KUDO" intelligence compartment, arrived at the CIA in August 1981. It immediately caused a storm. The files were incredibly explicit. They set forth the extent of Soviet penetration into U.S. and other Western laboratories, factories, and government agencies. They made clear that the Soviets had been running their R&D on the back of the West for years. Given the massive transfer of technology in radars, computers, machine tools, and semiconductors from U.S. to USSR, the Pentagon had been in

an arms race with itself.

The Farewell dossier also identified hundreds of case officers, agents in place, and other suppliers of information and parts throughout the West and Japan. During the early years of detente, the U.S. and the USSR had set up working groups in agriculture, civil aviation, nuclear energy, oceanography, computers, and the environment. The purpose was to start construction of "peaceful bridges" between the superpowers. Working group members were to exchange home-and-home visits. The Soviets thoroughly corrupted this process by inserting intelligence officers into those delegations dealing with technology of interest to them. Farewell made the extent of this subterfuge glaringly apparent. Even one of the Soviet cosmonauts, participating in the joint U.S.-USSR Apollo-Soyuz space flight, was a KGB science officer.\*

Aside from agent identification, the most useful information in the Farewell dossier was the KGB's shopping list: its targets for technology acquisition and theft during the coming few years. When the Farewell dossier arrived in Washington, Reagan asked Director of Central Intelligence Bill Casey to come up with a clandestine operational use for the material.

During the fall of 1981, one of my NSC associates, Dr. Gus Weiss, was cleared to read the material. He devised a remarkable plan: "Why not help the Soviets with their shopping? Now that we know what

\* Even today, a decade after the end of the Cold War, the U.S does not allow intelligence operatives to participate in any similar trade, cultural, scientific, or other group visiting the former Soviet Union.

{p. 268} they want, we can help them get it." There would be just one catch: the CIA would add "extra ingredients" to the software and hardware on the KGB's shopping list. Weiss presented the plan to Casey in December 1981 and Casey took it to the President in January 1982. Notably absent from their meeting were any of the White House's strong believers in detente.

Reagan received the plan enthusiastically; Casey was given a "go." There are no written memoranda reflecting that meeting, or for that matter, the whole project, for many in the intelligence community were concerned about the security of the new, computerized, internal NSC communication system.

Within a few months the shipments began. The Weiss project targeted the Soviet military-industrial needs as set forth in the Farewell dossier. "Improved" - that is to say, erratic - computer chips were designed to pass quality acceptance tests before entry into Soviet service. Only later would they sporadically fail, frazzling the nerves of harried users. Pseudosoftware disrupted factory output. Flawed but convincing ideas on stealth, attack aircraft, and space defense made their way into Soviet ministries.

The production and transportation of oil and gas was at the top of the Soviet wish list. A new trans-Siberian pipeline was to deliver natural gas from the Urengoi gas fields in Siberia across Kazakhstan, Russia, and Eastern Europe, into the hard currency markets of the West. To automate the operation of valves, compressors, and storage facilities in such an immense undertaking, the Soviets needed sophisticated control systems. They bought early model computers on the open market, but when



Russian pipeline authorities approached the U.S. for the necessary software, they were turned down. Undaunted, the Soviets looked elsewhere; a KGB operative was sent to penetrate a Canadian software supplier in an attempt to steal the needed codes. U.S. Intelligence, tipped by Farewell, responded and - in cooperation with some outraged Canadians - "improved" the software before sending it on.

Once in the Soviet Union, computers and software, working together, ran the pipeline beautifully - for a while. But that tranquility was deceptive. Buried in the stolen Canadian goods - the software operating this whole new pipeline system - was a Trojan horse.\* In order to

\* An expression describing a few lines of software, buried in the normal operating system, that will cause that system to go berserk at some future date (Halloween?) or upon the receipt of some outside message.

{p. 269} disrupt the Soviet gas supply, its hard currency earnings from the West, and the internal Russian economy, the pipeline software that was to run the pumps, turbines, and valves was programmed to go haywire, after a decent interval, to reset pump speeds and valve settings to produce pressures far beyond those acceptable to the pipeline joints and welds.

The result was the most monumental non-nuclear explosion and fire ever seen from space. At the White House, we received warning from our infrared satellites of some bizarre event out in the middle of Soviet nowhere. NORAD feared a missile liftoff from a place where no rockets were known to be based. Or perhaps it was the detonation of a small nuclear device. The Air Force chief of intelligence rated it at three kilotons, but he was puzzled by the silence of the Vela satellites. They had detected no electromagnetic pulse, characteristic of nuclear detonations. Before these conflicting indicators could turn into an international crisis, Gus Weiss came down the hall to tell his fellow NSC staffers not to worry. It took him another twenty years to tell me why.

The Farewell countermeasures campaign was cold-eyed economic warfare, put in place to inflict a price on the Soviet Union for corrupting the lofty ideals of detente. While there were no physical casualties from the pipeline explosion, there was significant damage to the Soviet economy. Its ultimate bankruptcy, not a bloody battle or nuclear exchange, is what brought the Cold War to an end. In time the Soviets came to understand that they had been stealing bogus technology, but now what were they to do? By implication, every cell of the Soviet technical leviathan might be infected. They had no way of knowing which equipment was sound, which was bogus. All was stlspect, which was the intended endgame for the entire operation.

As a grand finale, in 1984-85 the U.S. and its NATO allies rolled up the entire Line X collection network, both in the U.S. and overseas. This effectively extinguished the KGB's technology collection capabilities at a time when Moscow was being sandwiched between a failing economy on one hand and an American President - intent on prevailing and ending the Cold War - on the other.

Gorbachev was infuriated at his agents' arrests and deportations, for he had no idea that American intelligence agencies had access to the Farewell dossier. At a meeting of the Politburo on October 22, 1986, called to debrief his associates on the Reykjavik summit, he ranted that the Americans were

"acting very rudely and behaving like bandits."

{end}

If Reed's allegation is correct, could the CIA have had a hand in the Chernobyl explosion?

Mossad and the CIA also sold the bugged Promis computer software to the Communist bloc: [bugs.html](#).

### **(7.3) KGB Veteran Denies CIA Caused '82 Blast**

*Moscow Times*, Thursday, Mar. 18, 2004. Page 4

KGB Veteran Denies CIA Caused '82 Blast

By Anatoly Medetsky

<http://www.themoscowtimes.ru/stories/2004/03/18/014.html>

Staff Writer

A KGB veteran said a new U.S. book that credits the CIA with causing a powerful explosion on a Soviet natural gas pipeline in 1982 is off the mark. An explosion did take place, but it was caused by poor construction, not by planted software.

"What the Americans have written is rubbish," said Vasily Pchelintsev, who in 1982 headed the KGB office in the Tyumen region, the likely site of the explosion described in the book, "At the Abyss: An Insider's History of the Cold War."

The book, written by Thomas Reed, a former Air Force secretary who was on the National Security Council at the time, says the CIA arranged for bugs to be built into pipeline software that was transferred to the Soviet Union through a KGB network.

The United States was trying to prevent the Soviet Union from exporting gas to Western Europe and took advantage of KGB efforts to steal Western technology, Reed writes.

"In order to disrupt the Soviet gas supply, its hard currency earnings from the West and the internal Russian economy, the pipeline software that was to run the pumps, turbines and valves was programmed to go haywire, after a decent interval, to reset pump speeds and valve settings to produce pressures far beyond those acceptable to pipeline joints and welds," the book says.

The result was an explosion so powerful that it was seen from space, it says.

Pchelintsev said the book appears to be referring to an explosion that took place about 50 kilometers

from the city of Tobolsk, in the Tyumen region, in April 1982, even though the book said it occurred in the summer.

The region at the time was seeing a boom of pipeline construction to transport natural gas to domestic and Western consumers and also fits the book's description of the site as being in the Siberian wilderness.

A government commission that investigated the incident blamed it on two construction violations, Pchelintsev said. First, workers failed to put a bend in the metal pipe to protect it during sharp seasonal changes in temperature. Second, they did not equip it with weights to keep it down in the area's marshland.

During a warm April day, the pipe surfaced from the swampy ground and expanded from the heat, Pchelintsev said. As the chill set in again at night, it shrank and snapped, producing a spark. A stroke of fire went sideways and hit a parallel natural gas pipeline 12 meters away, causing it to ignite as well.

The ensuing blaze was huge but no one was hurt, Pchelintsev said. Pilots of planes flying over the wilderness spotted the flames and reported them to the Tyumen airport, whose authorities alerted the KGB. The incident was not disclosed until the publication of Reed's book, which was released March 9 by Ballantine Books.

The damaged pipelines supplied gas from the Urengoi deposit to the large industrial city of Chelyabinsk, which was left without natural gas for a day, Pchelintsev said. The damaged sections were rebuilt in one day, he said. Chelyabinsk is about 550 kilometers from Tobolsk.

The damaged pipelines were not part of the Urengoi-Uzhgorod pipeline, which supplied gas to Western Europe, he said.

Pchelintsev said he knew of no other gas explosions in the Tyumen region that year and he, as head of the KGB there, was in a position to know.

Gazpromavtomatika, a company that installs software for pipelines, said it had no information on any explosions in 1982, and no employees from that time on its staff who could comment.

Another KGB veteran, Mikhail Leontyev, confirmed Reed's claim that the KGB had a network of undercover agents who sought to get hold of Western high-tech equipment banned for sale to the Soviet Union. But he said the secret purchases were thoroughly checked.

But Leontyev said the book was wrong about when the KGB set up its Directorate T for going after Western research and development. It was 1918, not 1970, he said. {end}

## **(8) Antony Sutton on *Red Symphony* and *Hitler's Secret Backers***

I have not seen any reference to the booklet titled *Red Symphony* in Antony Sutton's writings, but he does deal with the booklet called *Hitler's Secret Backers*, by "Sidney Warburg".

This booklet, like the statements attributed to Ravoksky in *Red Symphony*, attests that Western financiers gave money to Hitler to help him get into power.

In *Red Symphony*, "Rakovsky" states that the reason for this was that the bankers, having established Bolshevism, had found it stolen from them by Stalin.

*Red Symphony* is at [red-symphony.html](http://red-symphony.html); *Hitler's Secret Backers* is available at <http://www.omnicbc.com>.

The bankers were trying to promote International Bolshevism, Trotsky being their man; Rakovsky himself was in their camp.

But Stalin was promoting National Bolshevism. That system had to be brought down, so that International Bolshevism could be restored. The means of bringing it down, was by assisting the rise of Hitler (and then, one might argue, the Cold War).

But, it says in the commentary part at the end of *Hitler's Secret Backers*, they did not think that Hitler would implement his rhetoric about excluding Jews. They disagreed with the anti-German boycott inaugurated by the New York Zionists, and felt that this induced Hitler to institute harsh measures against Jews.

In *Hitler's Secret Backers*, the bankers' motives are stated as being, not connected with Trotsky, but anger at France for its insistence on continued German repayments to it in Gold, as per the Treaty of Versailles. These payments were keeping Germany paralysed, and with it the European economy.

Sutton accepts this motive. But it could be argued - if the booklet be genuine in some way - that this is merely the excuse the bankers told to their courier, "Sidney Warburg".

Even so, Sutton agrees to the closeness of Trotsky to the bankers' hearts, in his book *Wall Street and the Bolshevik Revolution*.

## **(9) Sutton's Laissez-Faire Ideology**

Sutton's facts are important, but he immerses them in a Laissez-Faire "spin". I believe that one must separate the two.

Following is a summary of his position, in which he equates Bolshevism, National Socialism, and FDR's New Deal as being equally bad Socialist systems, all established by the Bankers.

As you read it, recall that in the last 30 years, the Privatization & Deregulation of economies, using arguments and equations like Sutton's, have reversed those earlier Socialist systems. We now blame

Bankers for setting up the Tax Haven network to enable the rich to dodge their social responsibilities.

[http://www.reformed-theology.org/html/books/wall\\_street/index.html](http://www.reformed-theology.org/html/books/wall_street/index.html)

## WALL STREET AND THE RISE OF HITLER

ANTONY C. SUTTON

{p. 11} PREFACE

This is the third and final volume of a trilogy describing the role of the American corporate socialists, otherwise known as the Wall Street financial elite or the Eastern Liberal Establishment, in three significant twentieth-century historical events: the 1917 Lenin-Trotsky Revolution in Russia, the 1933 election of Franklin D. Roosevelt in the United States, and the 1933 seizure of power by Adolf Hitler in Germany.

**Each of these events introduced some variant of socialism into a major country - i.e., Bolshevik socialism in Russia, New Deal socialism in the United States, and National socialism in Germany.**

{[http://www.reformed-theology.org/html/books/wall\\_street/chapter\\_11.htm](http://www.reformed-theology.org/html/books/wall_street/chapter_11.htm)}

{p. 163} CHAPTER TWELVE Conclusions

{p. 166} The Pervasive Influence of International Bankers

Looking at the broad array of facts presented in the three volumes of the Wall Street series, we find persistent recurrence of the same names: Owen Young, Gerard Swope, Hjalmar Schacht, Bernard Baruch, etc.; the same international banks: J.P. Morgan, Guaranty Trust, Chase Bank; and the same location in New York: usually 120 Broadway.

This group of international bankers backed the Bolshevik Revolution and subsequently profited from the establishment of a Soviet Russia. This group backed Roosevelt and profited from New Deal socialism. This group also backed Hitler and certainly profited from German armament in the 1930s. When Big Business should have been running its business operations at Ford Motor, Standard of New Jersey, and so on, we find it actively and deeply involved in political upheavals, war, and revolutions in three major countries.

The version of history presented here is that the financial elite knowingly and with premeditation assisted the Bolshevik Revolution of 1917 in concert with German bankers. After profiting handsomely from the German hyper-inflationary distress of 1923, and planning to place the German reparations burden onto the backs of American investors, Wall Street found it had brought about the 1929 financial crisis.

Two men were then backed as leaders for major Western countries: Franklin D. Roosevelt in the United States and Adolf Hitler in Germany. The Roosevelt New Deal and Hitler's Four Year Plan had great similarities. The Roosevelt and Hitler plans were plans for fascist takeovers of their respective countries. While Roosevelt's NRA failed, due to then-operating constitutional constraints, Hitler's Plan succeeded. {end}

## **(10) Sutton infers Convergence / Synthesis**

Sutton argues that the Bankers backed rival Socialist systems in order to pit them against one another in a "pincer" movement, to achieve an outcome along the (Hegelian) line Thesis+Antithesis->Synthesis:

[http://www.reformed-theology.org/html/books/bolshevik\\_revolution/index.html](http://www.reformed-theology.org/html/books/bolshevik_revolution/index.html)

### **WALL STREET AND THE BOLSHEVIK REVOLUTION**

By Antony C. Sutton

{p. 166} ... (c) What is the ultimate purpose of these pincer tactics? Can they be related to the Marxian axiom: thesis versus antithesis yields synthesis? It is a puzzle why the Marxist movement would attack capitalism head-on if its objective was a Communist world and if it truly accepted the dialectic. If the objective is a Communist world - that is, if communism is the desired synthesis - and capitalism is the thesis, then something apart from capitalism or communism has to be antithesis. Could therefore capitalism be the thesis and communism the antithesis, with the objective of the revolutionary groups and their backers being a synthesizing of these two systems into some world system yet undescribed? {end}

Convergence between the USSR and the West: [convergence.html](#).

## **(11) Sutton on Rakovsky and Trotsky**

There's a lot of material on Trotsky in Wall Street and the Bolshevik Revolution: [http://www.reformed-theology.org/html/books/bolshevik\\_revolution/index.html](http://www.reformed-theology.org/html/books/bolshevik_revolution/index.html)

This part is about Rakovsky:

{p. 35} The crux of the Stalinist accusation was that Trotskyites were

{p. 36} paid agents of international capitalism. K. G. Rakovsky, one of the 1938 defendants, said, or was induced to say, "We were the vanguard of foreign aggression, of international fascism, and not only in the USSR but also in Spain, China, throughout the world." The summation of the "court" contains the statement, "There is not a single man in the world who brought so much sorrow and misfortune to people as Trotsky. He is the vilest agent of fascism .... "26

Now while this may be no more than verbal insults routinely traded among the international Communists of the 1930s and 40s, it is also notable that the threads behind the self-accusation are consistent with the evidence in this chapter. And further, as we shall see later, Trotsky was able to generate support among international capitalists, who, incidentally, were also supporters of Mussolini and Hitler.<sup>27</sup>

So long as we see all international revolutionaries and all international capitalists as implacable enemies of one another, then we miss a crucial point - that there has indeed been some operational cooperation between international capitalists, including fascists. And there is no a priori reason why we should reject Trotsky as a part of this alliance.

This tentative, limited reassessment will be brought into sharp focus when we review the story of Michael Gruzenberg, the chief Bolshevik agent in Scandinavia who under the alias of Alexander Gumberg was also a confidential adviser to the Chase National Bank in New York and later to Floyd Odium of Atlas Corporation. This dual role was known to and accepted by both the Soviets and his American employers. The Gruzenberg story is a case history of international revolution allied with international capitalism.

Colonel MacLean's observations that Trotsky had "strong underground influence" and that his "power was so great that orders were issued that he must be given every consideration" are not at all inconsistent with the Coulter-Gwatkin intervention in Trotsky's behalf; or, for that matter, with those later occurrences, the Stalinist accusations in the Trotskyite show trials of the 1930s. Nor are they inconsistent with the Gruzenberg case. On the other hand, the only

{p. 37} known direct link between Trotsky and international banking is through his cousin Abram Givatovzo, who was a private banker in Kiev before the Russian Revolution and in Stockholm after the revolution. While Givatovzo professed antibolshevism, he was in fact acting in behalf of the Soviets in 1918 in currency transactions.<sup>28</sup>

Is it possible an international web can be spun from these events? First there's Trotsky, a Russian internationalist revolutionary with German connections who sparks assistance from two supposed supporters of Prince Lvov's government in Russia (Aleinikoff and Wolf, Russians resident in New York). These two ignite the action of a liberal Canadian deputy postmaster general, who in turn intercedes with a prominent British Army major general on the Canadian military staff. These are all verifiable links.

In brief, allegiances may not always be what they are called, or appear. We can, however, surmise that Trotsky, Aleinikoff, Wolf, Coulter, and Gwatkin in acting for a common limited objective also had some common higher goal than national allegiance or political label. To emphasize, there is no absolute proof that this is so. It is, at the moment, only a logical supposition from the facts. A loyalty higher than that forged by a common immediate goal need have been no more than that of friendship, although that strains the imagination when we ponder such a polyglot combination. It may also have been promoted by other motives. The picture is yet incomplete. {end}

## (12) Sutton on "Sidney Warburg" and the authorship of *Hitler's Secret Backers*

### WALL STREET AND THE RISE OF HITLER

ANTONY C. SUTTON

[http://www.reformed-theology.org/html/books/wall\\_street/chapter\\_10.htm](http://www.reformed-theology.org/html/books/wall_street/chapter_10.htm)

{p. 133} CHAPTER TEN

#### The Myth of "Sidney Warburg"

A vital question, only partly resolved, is the extent to which Hitler's accession to power in 1933 was aided directly by Wall Street financiers. We have shown with original documentary evidence that there was indirect American participation and support through German affiliated firms, and (as for example in the case of I.T.T.) there was a knowledgeable and deliberate effort to benefit from the support of the Nazi regime. Was this indirect financing extended to direct financing?

After Hitler gained power, U.S. firms and individuals worked on behalf of Naziism and certainly profited from the Nazi state. We know from the diaries of William Dodd, the American Ambassador to Germany, that in 1933 a stream of Wall Street bankers and industrialists filed through the U.S. Embassy in Berlin, expressing their admiration for Adolf Hitler - and anxious to find ways to do business with the new totalitarian regime. For example, on September 1, 1933 Dodd recorded that Henry Mann of the National City Bank and Winthrop W. Aldrich of the Chase Bank both met with Hitler and "these bankers feel they can work with him."1 Ivy Lee, the Rockefeller public relations agent, according to Dodd "showed himself at once a capitalist and an advocate of Fascism." 2

So at least we can identify a sympathetic response to the new Nazi dictatorship, reminiscent of the manner in which Wall Street international bankers greeted the new Russia of Lenin and Trotsky in 1917.

#### Who Was "Sidney Warburg"?

The question posed in this chapter is the accusation that some Wall Street financiers (the Rockefellers and Warburgs specifically have been accused) directly planned and financed Hitler's takeover in 1933, and that they did this from Wall Street. On this question the so-called myth of "Sidney Warburg" is relevant. Prominent Nazi Franz von Papen has stated in his Memoirs:3

{p. 134} {quote} ... the most documented account of the National Socialists' sudden acquisition of funds was contained in a book published in Holland in 1933, by the old established Amsterdam publishing house of Van Holkema & Warendorf, called *De Geldbronnen van Het Nationaal-Socialisme (Drie Gesprekken Met Hitler)* under the name "Sidney Warburg." {endquote}



A book with this title in Dutch by "Sidney Warburg" was indeed published in 1933, but remained on the book stalls in Holland only for a matter of days. The book was purged.<sup>4</sup> One of three surviving original copies was translated into English. The translation was at one time deposited in the British Museum, but is now withdrawn from public circulation and is unavailable for research. Nothing is now known of the original Dutch copy upon which this English translation was based.

The second Dutch copy was owned by Chancellor Schussnigg in Austria, and nothing is known of its present whereabouts. The third Dutch copy found its way to Switzerland and was translated into German. The German translation has survived down to the present day in the Schweizerischen Sozialarchiv in Zurich, Switzerland. A certified copy of the authenticated German translation of this Swiss survivor was purchased by the author in 1971 and translated into English. It is upon this English translation of the German translation that the text in this chapter is based.

Publication of the "Sidney Warburg" book was duly reported in the New York Times (November 24, 1933) under the title "Hoax on Nazis Feared." A brief article noted that a "Sidney Warburg" pamphlet has appeared in Holland, and the author is not the son of Felix Warburg. The translator is J. G. Shoup, a Belgian newspaperman living in Holland. The publishers and Shoup "are wondering if they have not been the victims of a hoax." The Times account adds:

{quote} The pamphlet repeats an old story to the effect that leading Americans, including John D. Rockefeller, financed Hitler from 1929 to 1932 to the extent of \$32,000,000, their motive being "to liberate Germany from the financial grip of France by bringing about a revolution." Many readers of the pamphlet have pointed out that it contains many inaccuracies. {endquote}

Why was the Dutch original withdrawn from circulation in 1933? Because "Sidney Warburg" did not exist and a "Sidney Warburg" was claimed as the author. Since 1933 the "Sidney Warburg" book has been

{p. 135} promoted by various parties both as a forgery and as a genuine document. The Warburg family itself has gone to some pains to substantiate its falsity.

What does the book report? What does the book claim happened in Germany in the early 1930s? And do these events have any resemblance to facts we know to be true from other evidence?

From the viewpoint of research methodology it is much more preferable to assume that the "Sidney Warburg" book is a forgery, unless we can prove the contrary. This is the procedure we shall adopt. The reader may well ask - then why bother to look closely at a possible forgery? There are at least two good reasons, apart from academic curiosity.

First, the Warburg claim that the book is a forgery has a curious and vital flaw. The Warburgs deny as false a book they admit not to have read nor even seen. The Warburg denial is limited specifically to non-authorship by a Warburg. This denial is acceptable; but it does not deny or reject the validity of the contents. The denial merely repudiates authorship.

Second, we have already identified I.G. Farben as a key financier and backer of Hitler. We have

provided photographic evidence (page 64) of the bank transfer slip for 400,000 marks from I.G. Farben to Hitler's "Nationale Treuhand" political slush fund account administered by Rudolf Hess. Now it is probable, almost certain, that "Sidney Warburg" did not exist. On the other hand, it is a matter of public record that the Warburgs were closely connected with I.G. Farben in Germany and the United States. In Germany Max Warburg was a director of I.G. Farben and in the United States brother Paul Warburg (father of James Paul Warburg) was a director of American I.G. Farben. In brief, we have incontrovertible evidence that some Warburgs, including the father of James Paul, the denouncer of the "Sidney Warburg" book, were directors of I.G. Farben. And I.G. Farben is known to have financed Hitler. "Sidney Warburg" was a myth, but I.G. Farben directors Max Warburg and Paul Warburg were not myths. This is reason enough to push further.

Let us first summarize the book which James Paul Warburg claims is a forgery.

### A Synopsis of the Suppressed "Sidney Warburg" Book

The Financial Sources of National Socialism opens with an alleged conversation between "Sidney Warburg" and joint author/translator I. G.

{p. 136} Shoup. "Warburg" relates why he was handing Shoup an English language manuscript for translation into Dutch and publication in Holland In the words of the mythical "Sidney Warburg":

{quote} There are moments when I want to turn away from a world of such intrigue, trickery, swindling and tampering with the stock exchange .... Do you know what I can never understand? How it is possible that people of good and honest character - for which I have ample proof - participate in swindling and fraud, knowing full well that it will affect thousands. {endquote}

Shoup then describes "Sidney Warburg" as "son of one of the largest bankers in the United States, member of the banking firm Kuhn, Loeb & Co., New York." "Sidney Warburg" then tells Shoup that he ("Warburg") wants to record for history how national socialism was financed by New York financiers.

The first section of the book is entitled simply "1929." It relates that in 1929 Wall Street had enormous credits outstanding in Germany and Austria, and that these claims had, for the most part, been frozen. While France was economically weak and feared Germany, France was also getting the "lion's share" of reparations funds which were actually financed from the United States. In June 1929, a meeting took place between the members of the Federal Reserve Bank and leading American bankers to decide what to do about France, and particularly to check her call on German reparations. This meeting was attended (according to the "Warburg" book) by the directors of Guaranty Trust Company, the "Presidents" of the Federal Reserve Banks, in addition to five independent bankers, "young Rockefeller," and Glean from Royal Dutch Shell. Carter and Rockefeller according to the text "dominated the proceedings. The others listened and nodded their heads."

The general consensus at the bankers' meeting was that the only way to free Germany from French financial clutches was by revolution, either Communist or German Nationalist. At an earlier meeting it had previously been agreed to contact Hitler to "try to find out if he were amenable to American

financial support." Now Rockefeller reportedly had more recently seen a German-American leaflet about the Hitler national socialist movement and the purpose of this second meeting was to determine if "Sidney Warburg" was prepared to go to Germany as a courier to make personal contact with Hitler.

{p. 137} In return for proffered financial support, Hitler would be expected to conduct an "aggressive foreign policy and stir up the idea of revenge against France." This policy, it was anticipated, would result in a French appeal to the United States and England for assistance in "international questions involving the eventual German aggression." Hitler was not to know about the purpose of Wall Street's assistance. It would be left "to his reason and resourcefulness to discover the motives behind the proposal." "Warburg" accepted the proposed mission and left New York for Cherbourg on the Ile de France, "with a diplomatic passport and letters of recommendation from Carter, Tommy Walker, Rockefeller, Glean and Herbert Hoover."

Apparently, "Sidney Warburg" had some difficulty in meeting Hitler. The American Consul in Munich did not succeed in making contact with the Nazis, and finally Warburg went directly to Mayor Deutzberg of Munich, "with a recommendation from the American Consul," and a plea to guide Warburg to Hitler. Shoup then presents extracts from Hitler's statements at this initial meeting. These extracts include the usual Hitlerian anti-Semitic rantings, and it should be noted that all the anti-Semitic parts in the "Sidney Warburg" book are spoken by Hitler. (This is important because James Paul Warburg claims the Shoup book is totally anti-Semitic.) Funding of the Nazis was discussed at this meeting and Hitler is reported to insist that funds could not be deposited in a German bank but only in a foreign bank at his disposal. Hitler asked for 100 million marks and suggested that "Sidney Warburg" report on the Wall Street reaction through von Heydt at Lutzowufer, 18 Berlin.<sup>5</sup>

After reporting back to Wall Street, Warburg learned that \$24 million was too much for the American bankers; they offered \$10 million. Warburg contacted von Heydt and a further meeting was arranged, this time with an "undistinguished looking man, introduced to me under the name Frey." Instructions were given to make \$10 million available at the Mendelsohn & Co. Bank in Amsterdam, Holland. Warburg was to ask the Mendelsohn Bank to make out checks in marks payable to named Nazis in ten German cities. Subsequently, Warburg travelled to Amsterdam, completed his mission with Mendelsohn & Co., then went to Southampton, England and took the Olympia back to New York where he reported to Carter at Guaranty Trust Company. Two days later Warburg gave his report to the entire Wall Street group, but "this time an English representative was there sitting next to Glean from Royal Dutch, a man named Angell, one of the heads of the Asiatic Petroleum Co." Warburg was

{p. 138} questioned about Hitler, and "Rockefeller showed unusual interest in Hitler's statements about the Communists."

A few weeks after Warburg's return from Europe the Hearst newspapers showed "unusual interest" in the new German Nazi Party and even the New York Times carried regular short reports of Hitler's speeches. Previously these newspapers had not shown too much interest, but that now changed.<sup>6</sup> Also, in December 1929 a long study of the German National Socialist movement appeared "in a monthly publication at Harvard University."

Part II of the suppressed "Financial Sources of National Socialism" is entitled "1931" and opens with a discussion of French influence on international politics. It avers that Herbert Hoover promised Pierre Laval of France not to resolve the debt question without first consulting the French government and [writes Shoup]:

{quote} When Wall Street found out about this Hoover lost the respect of this circle at one blow. Even the subsequent elections were affected - many believed that Hoover's failure to get reelected can be traced back to the issue.<sup>7</sup> {endquote}

In October 1931, Warburg received a letter from Hitler which he passed on to Carter at Guaranty Trust Company, and subsequently another bankers' meeting was called at the Guaranty Trust Company of-rices. Opinions at this meeting were divided. "Sidney Warburg" reported that Rockefeller, Carter, and McBean were for Hitler, while the other financiers were uncertain. Montague Norman of the Bank of England and Glean of Royal Dutch Shell argued that the \$10 million already spent on Hitler was too much, that Hitler would never act. The meeting finally agreed in principle to assist Hitler further, and Warburg again undertook a courier assignment and went back to Germany.

On this trip Warburg reportedly discussed German affairs with "a Jewish banker" in Hamburg, with an industrial magnate, and other Hitler supporters. One meeting was with banker von Heydt and a "Luetgebrunn." The latter stated that the Nazi storm troopers were incompletely equipped and the S. S. badly needed machine guns, revolvers, and carbines.

In the next Warburg-Hitler meeting, Hitler argued that "the Soviets cannot miss our industrial products yet. We will give credit, and if I am not able to deflate France myself, then the Soviets will help me." Hitler

{p. 139} said he had two plans for takeover in Germany: (a) the revolution plan, and (b), the legal takeover plan. The first plan would be a matter of three months, the second plan a matter of three years. Hitler was quoted as saying, "revolution costs five hundred million marks, legal takeover costs two hundred million marks - what will your bankers decide?" After five days a cable from Guaranty Trust arrived for Warburg and is cited in the book as follows:

{quote} Suggested amounts are out of the question. We don't want to and cannot. Explain to man that such a transfer to Europe will shatter financial market. Absolutely unknown on international territory. Expect long report, before decision is made. Stay there. Continue investigation. Persuade man of impossible demands. Don't forget to include in report own opinion of possibilities for future of man. {endquote}

Warburg cabled his report back to New York and three days later received a second cablegram reading:

{quote} Report received. Prepare to deliver ten, maximum fifteen million dollars. Advise man necessity of aggression against foreign danger. {endquote}

The \$15 million was accepted for the legal takeover road, not for the revolutionary plan. The money was transferred from Wall Street to Hitler via Warburg as follows - \$5 million to be paid at Mendelsohn & Company, Amsterdam; \$5 million at the Rotterdamse Bankvereinigung in Rotterdam; and \$5 million at "Banca Italiana."

Warburg travelled to each of these banks, where he reportedly met Heydt, Strasser and Hermann Goering. The groups arranged for checks to be made out to different names in various towns in Germany. In other words, the funds were "laundered" in the modern tradition to disguise their Wall Street origins. In Italy the payment group was reportedly received at the main building of the bank by its president and while waiting in his office two Italian fascists, Rossi and Balbo, were introduced to Warburg, Heydt, Strasser, and Goering. Three days after payment, Warburg returned to New York from Genoa on the Savoya. Again, he reported to Carter, Rockefeller, and the other bankers.

The third section of "Financial Sources of National Socialism" is entitled simply "1933." The section records "Sidney Warburg's" third

{p. 140} and last meeting with Hitler - on the night the Reichstag was burned. (We noted in Chapter Eight the presence of Roosevelt's friend Putzi Hanfstaengl in the Reichstag.) At this meeting Hitler informed Warburg of Nazi progress towards legal takeover. Since 1931 the Nationalist Socialist party had tripled in size. Massive deposits of weapons had been made near the German border in Belgium, Holland, and Austria - but these weapons required cash payments before delivery. Hitler asked for a minimum of 100 million marks to take care of the final step in the takeover program. Guaranty Trust wired Warburg offering \$7 million at most, to be paid as follows - \$2 million to the Renania Joint Stock Company in Dusseldorf (the German branch of Royal Dutch), and \$5 million to other banks. Warburg reported this offer to Hitler, who requested the \$5 million should be sent to the Banca Italiana in Rome and (although the report does not say so) presumably the other \$2 million was paid to Dusseldorf. The book concludes with the following statement from Warburg:

{quote} I carried out my assignment strictly down to the last detail. Hitler is dictator of the largest European country. The world has now observed him at work for several months. My opinion of him means nothing now. His actions will prove if he is bad, which I believe he is. For the sake of the German people I hope in my heart that I am wrong. The world continues to suffer under a system that has to bow to a Hitler to keep itself on its feet. Poor world, poor humanity. {endquote}

This is a synopsis of "Sidney Warburg's" suppressed book on the financial origins of national socialism in Germany. Some of the information in the book is now common knowledge - although only part was generally known in the early 1930s. It is extraordinary to note that the unknown author had access to information that only surfaced many years later - for example, the identity of the von Heydt bank as a Hitler financial conduit. Why was the book taken off the bookstands and suppressed? The stated reason for withdrawal was that "Sidney Warburg" did not exist, that the book was a forgery, and that the Warburg family claimed it contained anti-Semitic and libelous statements.

The information in the book was resurrected after World War II and published in other books in an anti-Semitic context which does not exist in the original 1933 book. Two of these post-war books were Rene Sonderegger's *Spanischer Sommer* and Werner Zimmerman's *Liebet Eure Feinde*.

{p. 141} Most importantly James P. Warburg of New York signed an affidavit in 1949, which was published as an appendix in von Papen's Memoirs. This Warburg affidavit emphatically denied the authenticity of the "Sidney Warburg" book and claimed it was a hoax. Unfortunately, James P. Warburg focuses on the 1947 Sonderegger anti-Semitic book *Spanischer Sommer*, not the original suppressed "Sidney Warburg" book published in 1933 - where the only anti-Semitism stems from Hitler's alleged statements.

In other words, the Warburg affidavit raised far more questions than it resolved. We should therefore look at Warburg's 1949 affidavit denying the authenticity of *Financial Sources of National Socialism*.

### James Paul Warburg's Affidavit

In 1953 Nazi Franz von Papen published his *Memoirs*.<sup>8</sup> This was the same Franz von Papen who had been active in the United States on behalf of German espionage in World War I. In his *Memoirs*, Franz von Papen discusses the question of financing Hitler and places the blame squarely on industrialist Fritz Thyssen and banker Kurt von Sehroder. Papen denies that he (Papen) financed Hitler, and indeed no credible evidence has been forthcoming to link von Papen with Hitler's funds (although Zimmerman in *Liebert Eure Feinde* accuses Papen of donating 14 million marks). In this context von Papen mentions "Sidney Warburg's" *The Financial Sources of National Socialism*, together with the two more recent post-World War II books by Werner Zimmerman and Rene Sonderegger (alias Severin Reinhardt).<sup>9</sup> Papen adds that:

{quote} James P. Warburg is able to refute the whole falsification in his affidavit .... For my own part I am most grateful to Mr. Warburg for disposing once and for all of this malicious libel. It is almost impossible to refute accusations of this sort by simple negation, and his authoritative denial has enabled me to give body to my own protestations.<sup>10</sup> {endquote}

There are two sections to Appendix II of Papen's book. First is a statement by James P. Warburg; second is the affidavit, dated July 15, 1949.

The opening paragraph of the statement records that in 1933 the Dutch publishing house of Holkema and Warendorf published *De Geldbronnen van Het Nationaal-Socialisme. Drie Gesprekken Met Hitler*, and adds that,

{p. 142} {quote} This book was allegedly written by "Sidney Warburg." A partner in the Amsterdam firm of Warburg & Co. informed James P. Warburg of the book and Holkema and Warendorf were informed that no such person as "Sidney Warburg" existed. They thereupon withdrew the book from circulation. {endquote}

James Warburg then makes two sequential and seemingly contradictory statements:

{quote} ... the book contained a mass of libelous material against various members of my family and against a number of prominent banking houses and individuals in New York. I have never to this day seen a copy of the book. Apparently only a handful of copies escaped the publisher's withdrawal.

{endquote}

Now on the one hand Warburg claims he has never seen a copy of the "Sidney Warburg" book, and on the other hand says it is "libelous" and proceeds to construct a detailed affidavit on a sentence by sentence basis to refute the information supposedly in a book he claims not to have seen! It is very difficult to accept the validity of Warburg's claim he has "never to this day seen a copy of the book." Or if indeed he had not, then the affidavit is worthless.

James Warburg adds that the "Sidney Warburg" book is "obvious anti-Semitism," and the thrust of Warburg's statement is that the "Sidney Warburg" story is pure anti-Semitic propaganda. In fact (and Warburg would have discovered this fact if he had read the book), the only anti-Semitic statements in the 1933 book are those attributed to Adolf Hitler, whose anti-Semitic feelings are hardly any great discovery. Apart from Hitler's ravings there is nothing in the original "Sidney Warburg" book remotely connected with anti-Semitism, unless we classify Rockefeller, Glean, Carter, McBean, etc. as Jewish. In fact, it is notable that not a single Jewish banker is named in the book - except for the mythical "Sidney Warburg" who is a courier, not one of the alleged money givers. Yet we know from an authentic source (Ambassador Dodd) that the Jewish banker Eberhard von Oppenheim did indeed give 200,000 marks to Hitler, 11 and it is unlikely "Sidney Warburg" would have missed this observation if he was deliberately purveying false anti-Semitic propaganda.

The first page of James Warburg's statement concerns the 1933 book. After the first page James Warburg introduces Rene Sonderegger and

{p. 143} another book written in 1947. Careful analysis of Warburg's statement and affidavit point up that his denials and assertions essentially refer to Sonderegger and not to Sidney Warburg. Now Sonderegger was anti-Semitic and probably was part of a neo-Nazi movement after World War II, but this claim of anti-Semitism cannot be laid to the 1933 book - and that is the crux of the question at issue. In brief, James Paul Warburg starts out by claiming to discuss a book he has never seen but knows to be libelous and anti-Semitic, then without warning shifts the accusation to another book which was certainly anti-Semitic but was published a decade later. Thus, the Warburg affidavit so thoroughly confuses the two books that the reader is led to condemn the mythical "Sidney Warburg" along with Sonderegger.<sup>12</sup> Let us look at some of J.P. Warburg's statements:

James P. Warburg's Sworn Affidavit New York City, James P. Warburg July 15, 1949

{column 2, by Sutton} Author's Comments on James P. Warburg Affidavit

1. Concerning the wholly false and malicious allegations made by Rene Sonderegger of Zurich, Switzerland, et al., as set forth in the foregoing part of this statement, I, James Paul Warburg, of Greenwich, Connecticut, U.S.A., depose as follows:

{Sutton} Note that the affidavit concerns Rene Sonderegger, not the book published by J.G. Shoup in 1933.

2. No such person as "Sidney Warburg" existed in York City in 1933, nor elsewhere, as far as I know,

then or at any other time.

{Sutton} We can assume that the name "Sidney Warburg" is a pseudonym, or used falsely.

3. I never gave any manuscript, diary, notes, cables, or any other materials documents to any person for translation and publication in Holland, and, specifically, I never gave any such documents to the alleged J.G. Shoup of Antwerp. To the best of my knowledge and recollection I never at any time met any such person.

{Sutton} The affidavit confines itself to grant of cables, or any other materials "for translation and publication in Holland."

{p. 144} 4. The telephone conversation between Roger Baldwin and myself, reported by Sonderegger, never took place at all and is pure invention.

{Sutton} Reported by Sonderegger, not "Sidney Warburg."

5. I did not go to Germany at the request of the President of the Guaranty Trust Company in 1929, or at any other time.

{Sutton} But Warburg did go to Germany in 1929 and 1930 for the International Acceptance Bank, Inc.

6. I did go to Germany on business for my own bank, The International Acceptance Bank Inc., of New York, in both 1929 and 1930. On neither of these occasions did I have anything to do with investigating the possible prevention of a Communist revolution in Germany by the promotion of a Nazi counter- revolution. As a matter of recorded fact, my opinion at the time was that there was relatively little danger of a Communist revolution in Germany and a considerable danger of a Nazi seizure of power, I am in a position to prove that, on my return from Germany after the Reichstag elections of 1930, I warned my associates that Hitler would very likely come to power in Germany and that the result would be either a Nazi- dominated Europe or a second world war - perhaps both. This can be corroborated as well as the fact that, as a consequence of my warning, my bank proceeded to reduce its German commitments as rapidly as possible.

{Sutton} Note that Warburg, by his own statement, told his banking associates that Hitler would come to power. This claim was made in 1930 - and the Warburgs continued as directors with I.G. Farben and other pro-Nazi firms.

7. I had no discussions anywhere, at any time, with

{p. 145} Hitler, with any Nazi officials, or with anyone else about providing funds for the Nazi Party. Specifically, I had no dealing of this sort with Mendelssohn & Co., or the Rotterdamsche Bankvereinigung or the Banca Italiana. (The latter is probably meant to read Banca d'Italia, with which I likewise had no such dealings.)



{Sutton} There is no evidence to contradict this statement. So far as can be traced Warburgs were not connected with these banking firms except that the Italian correspondent of Warburg's Bank of Manhattan was "Banca Commerciale Italiana" - Banca Italiana.

8. In February 1933 (see pages 191 and 192 of *Spanischer Sommer*) when I am alleged to have brought Hitler the last installment of American funds and to have been received by Goering and Goebbels as well as by Hitler himself, I can prove that I was not in Germany at all. I never set foot in Germany after the Nazis had come to power in January 1933. In January and February I was in New York and Washington, working both with my bank and with President-elect Roosevelt on the then-acute banking crisis. After Mr. Roosevelt's inauguration, on March 3, 1933, I was working with him continuously helping to prepare the agenda for the World Economic Conference, to which I was sent as Financial Adviser in early June. This is a matter of public record.

{Sutton} There is no evidence to contradict these statements. "Sidney Warburg" provides no supporting evidence for his claims.

See *Wall Street and FDR*, (New York: Arlington House Publishers, 1975), for details of FDR's German associations.

9. The foregoing statements should suffice to demonstrate that the whole "Sidney Warburg" myth and the subsequent spurious identification of myself with the non-existent "Sidney" are fabrications of malicious falsehood without the slightest foundation in truth.

{Sutton} No. James P. Warburg states he has never seen the original "Sidney Warburg" book published in Holland in 1933. Therefore his affidavit only applies to the Sonderegger book which is inaccurate. Sidney Warburg may well be a myth, but the association of Max Warburg and Paul Warburg with I.G. Farben and Hitler is not a myth.

{p. 146} Does James Warburg intend to mislead?

It is true that "Sidney Warburg" may well have been an invention, in the sense that "Sidney Warburg" never existed. We assume the name is a fake; but someone wrote the book. Zimmerman and Sonderegger may or may not have committed libel to the Warburg name, but unfortunately when we examine James P. Warburg's affidavit as published in von Papen's *Memoirs* we are left as much in the dark as ever. There are three important and unanswered questions: (1) why would James P. Warburg claim as a forgery a book he has not read; (2) why does Warburg's affidavit avoid the key question and divert discussion away from "Sidney Warburg" to the anti-Semitic Sonderegger book published in 1947; and (3) why would James P. Warburg be so insensitive to Jewish suffering in World War II to publish his affidavit in the *Memoirs of Franz von Papen*, who was a prominent Nazi at the heart of the Hitler movement since the early days of 1933?

Not only were the German Warburgs persecuted by Hitler in 1938, but millions of Jews lost their lives to Nazi barbarism. It seems elementary that anyone who has suffered and was sensitive to the past sufferings of German Jews would avoid Nazis, Naziism, and neo-Nazi books like the plague. Yet here we have Nazi von Papen acting as a genial literary host to self-described anti-Nazi James P.

Warburg, who apparently welcomes the opportunity. Moreover, the Warburgs had ample opportunity to release such an affidavit with wide publicity without utilizing neo-Nazi channels.

The reader will profit from pondering this situation. The only logical explanation is that some of the facts in the "Sidney Warburg" book are either true, come close to the truth, or are embarrassing to James P. Warburg. One cannot say that Warburg intends to mislead (although this might seem an obvious conclusion), because businessmen are notoriously illogical writers and reasoners, and there is certainly nothing to exempt Warburg from this categorization.

### Some Conclusions from the "Sidney Warburg" Story

"Sidney Warburg" never existed; in this sense the original 1933 book is a work of fiction. However, many of the then-little-known facts recorded in the book are curate; and the James Warburg affidavit is not aimed at the original boo but rather at an anti-Semitic book circulated over a decade later.

Paul Warburg was a director of American I.G. Farben and thus

{p. 147} connected with the financing of Hitler. Max Warburg, a director of German I.G. Farben, signed - along with Hitler himself - the document which appointed Hjalmar Schacht to the Reichsbank. These verifiable connections between the Warburgs and Hitler suggest the "Sidney Warburg" story cannot be abandoned as a total forgery without close examination.

Who wrote the 1933 book, and why? I.G. Shoup says the notes were written by a Warburg in England and given to him to translate. The War-burg motive was alleged to be genuine remorse at the amoral behavior of Warburgs and their Wall Street associates. Does this sound like a plausible motive? It has not gone unnoticed that those same Wall Streeters who plot war and revolution are often in their private lives genuinely decent citizens; it is not beyond the realm of reason that one of them had a change of heart or a heavy conscience. But this is not proven.

If the book was a forgery, then by whom was it written? James War-burg admits he does not know the answer, and he writes: "The original purpose of the forgery remains somewhat obscure even today.<sup>13</sup>

Would any government forge the document? Certainly not the British or U.S. governments, which are both indirectly implicated by the book. Certainly not the Nazi government in Germany, although James Warburg appears to suggest this unlikely possibility. Could it be France, or the Soviet Union, or perhaps Austria? France, possibly because France feared the rise of Nazi Germany. Austria is a similar possibility. The Soviet Union is a possibility because the Soviets also had much to fear from Hitler. So it is plausible that France, Austria, or the Soviet Union had some hand in the preparation of the book.

Any private citizen who forged such a book without inside government materials would have to be remarkably well informed. Guaranty Trust is not a particularly well-known bank outside New York, yet there is an extraordinary degree of plausibility about the involvement of Guaranty Trust, because it was the Morgan vehicle used for financing and infiltrating the Bolshevik revolution. <sup>14</sup> Whoever

named Guaranty Trust as the vehicle for funding Hitler either knew a great deal more than the man in the street, or had authentic government information. What would be the motive behind such a book?

The only motive that seems acceptable is that the unknown author had knowledge a war was in preparation and hoped for a public reaction against the Wall Street fanatics and their industrialist friends in Germany - before it was too late. Clearly, whoever wrote the book, his

{p. 148} motive almost certainly was to warn against Hitlerian aggression and to point to its Wall Street source, because the technical assistance of American companies controlled by Wall Street was still needed to build Hitler's war machine. The Standard Oil hydrogenation patents and financing for the oil from coal plants, the bomb sights, and the other necessary technology had not been fully transferred when the "Sidney Warburg" book was written. Consequently, this could have been a book designed to break the back of Hitler's supporters abroad, to inhibit the planned transfer of U.S. war-making potential, and to eliminate financial and diplomatic support of the Nazi state. If this was the goal, it is regrettable that the book failed to achieve any of these purposes.

{p. 203} Footnotes: CHAPTER TEN

1 William E. Dodd, *Ambassador Dodd's Diary*, op. cit., p. 31.

2 Ibid., p. 74.

3 Franz von Papen, *Memoirs*, (New York: E.P. Dutton & Co., 1953), p. 229.

4 The English text for this chapter is translated from an authenticated surviving German translation of a copy of the Dutch edition of *De Geldbronnen van Het Nationaal-Socialisme (Drie Gesprekken Met Hitler)*, or *The Financial Sources of National Socialism (Three conversations with Hitler)*. The original Dutch author is given as "Door Sidney Warburg, vertaald door I.G. Shoup" (By Sidney Warburg, as told by I.G. Shoup).

The copy used here was translated from the Dutch by Dr. Walter Nelz, Wilhelm Peter, and Rene Sonderegger in Zurich, February 11, 1947, and the German translation bears an affidavit to the effect that: "The undersigned three witnesses do verify that the accompanying document is none other than a true and literal translation from Dutch into German of the book by Sidney Warburg, a copy of which was constantly at their disposal during the complete process of translation. They testify that they held this original in their hands, and that to the best of their ability they read it sentence by sentence, translating it into German, comparing then the content of the accompanying translation to the original conscientiously until complete agreement was reached."

5Note that "von Heydt" was the original name for the Dutch Bank voor

{p. 204} *Handel en Scheepvaart N.V.*, a subsidiary of the Thyssen interests and now known to have been used as a funnel for Nazi funds. See *Elimination of German Resources*.

6 Examination of the Index for the New York Times confirms the accuracy of the latter part of this

statement. See for example the sudden rush of interest by the New York Times, September 15, 1930 and the feature article on "Hitler, Driving Force in Germany's Fascism" in the September 21, 1930 issue of the New York Times. In 1929 the New York Times listed only one brief item on Adolf Hitler. In 1931 it ran a score of substantial entries, including no fewer than three "Portraits."

7 Hoover said he lost the support of Wall Street in 1931 because he would not go along with its plan for a New Deal: see Antony C. Sutton, *Wall Street and FDR*, op. cit.

8 Franz von Papen, *Memoirs*, (New York: E.P. Dutton & Co., Inc., 1958). Translated by Brian Connell.

9 Werner Zimmerman, *Liebet Eure Feinde*, (Frankhauser Verlag: Thielle-Neuchatel, 1948), which contains a chapter, "Hitler's geheime Geldgeber" (Hitler's secret financial supporters) and Rene Sonderegger, *Spanischer Sommer*, (Aroltern, Switzerland: Aehren Verlag, 1948).

10 Franz von Papen, *Memoirs*, op. cit., p. 23.

11 William E. Dodd, *Ambassador Dodd's Diary*, op. cit. pp. 593-602.

12 The reader should examine the complete Warburg statement and affidavit; see Franz von Papen, *Memoirs*, op. cit. pp. 593-602,

13 Franz von Papen, *Memoirs*, op. cit., p. 594.

14 See Antony C. Sutton, *Wall Street and the Bolshevik Revolution*, op. cit. ==

[http://www.reformed-theology.org/html/books/wall\\_street/chapter\\_11.htm](http://www.reformed-theology.org/html/books/wall_street/chapter_11.htm)

{p. 163} CHAPTER TWELVE Conclusions

{p. 165} Finally, in Chapter Ten we reviewed a book suppressed in 1934 and the "myth of 'Sidney Warburg.'" The suppressed book accused the Rockefellers, the Warburgs, and the major oil companies of financing Hitler. While the name "Sidney Warburg" was no doubt an invention, the extraordinary fact remains that the argument in the suppressed "Sidney Warburg" book is remarkably close to the evidence presented now. It also

{p. 166} remains a puzzle why James Paul Warburg, fifteen years later, would want to attempt, in a rather transparently slipshod manner, to refute the contents of the "Warburg" book, a book he claims not to have seen. It is perhaps even more of a puzzle why Warburg would choose Nazi von Papen's *Memoirs* as the vehicle to present his refutation.

Finally, in Chapter Eleven we examined the roles of the Morgan and Chase Banks in World War II, specifically their collaboration with the Nazis in France while a major war was raging.

In other words, as in our two previous examinations of the links between New York international bankers and major historical events, we find a provable pattern of subsidy and political manipulation.

## The Pervasive Influence of International Bankers

Looking at the broad array of facts presented in the three volumes of the Wall Street series, we find persistent recurrence of the same names: Owen Young, Gerard Swope, Hjalmar Schacht, Bernard Baruch, etc.; the same international banks: J.P. Morgan, Guaranty Trust, Chase Bank; and the same location in New York: usually 120 Broadway.

This group of international bankers backed the Bolshevik Revolution and subsequently profited from the establishment of a Soviet Russia. This group backed Roosevelt and profited from New Deal socialism. This group also backed Hitler and certainly profited from German armament in the 1930s. When Big Business should have been running its business operations at Ford Motor, Standard of New Jersey, and so on, we find it actively and deeply involved in political upheavals, war, and revolutions in three major countries.

The version of history presented here is that the financial elite knowingly and with premeditation assisted the Bolshevik Revolution of 1917 in concert with German bankers. After profiting handsomely from the German hyper-inflationary distress of 1923, and planning to place the German reparations burden onto the backs of American investors, Wall Street found it had brought about the 1929 financial crisis.

Two men were then backed as leaders for major Western countries: Franklin D. Roosevelt in the United States and Adolf Hitler in Germany. The Roosevelt New Deal and Hitler's Four Year Plan had great similarities. The Roosevelt and Hitler plans were plans for fascist takeovers of their respective countries. While Roosevelt's NRA failed, due to then-operating constitutional constraints, Hitler's Plan succeeded.

{p. 167} Why did the Wall Street elite, the international bankers, want Roosevelt and Hitler in power? This is an aspect we have not explored. According to the "myth of 'Sidney Warburg,'" Wall Street wanted a policy of revenge; that is, it wanted war in Europe between France and Germany. We know even from Establishment history that both Hitler and Roosevelt acted out policies leading to war.

The link-ups between persons and events in this three-book series would require another book. But a single example will perhaps indicate the remarkable concentration of power within a relatively few organizations, and the use of this power.

On May 1st, 1918, when the Bolsheviks controlled only a small fraction of Russia (and were to come near to losing even that fraction in the summer of 1918), the American League to Aid and Cooperate with Russia was organized in Washington, D.C. to support the Bolsheviks. This was not a "Hands off Russia" type of committee formed by the Communist Party U.S.A. or its allies. It was a committee created by Wall Street with George P. Whalen of Vacuum Oil Company as Treasurer and Coffin and Oudin of General Electric, along with Thompson of the Federal Reserve System, Willard of the

Baltimore & Ohio Railroad, and assorted socialists.

When we look at the rise of Hitler and Naziism we find Vacuum Oil and General Electric well represented. Ambassador Dodd in Germany was struck by the monetary and technical contribution by the Rockefeller-controlled Vacuum Oil Company in building up military gasoline facilities for the Nazis. The Ambassador tried to warn Roosevelt. Dodd believed, in his apparent naiveté of world affairs, that Roosevelt would intervene, but Roosevelt himself was backed by these same oil interests and Walter Teagle of Standard Oil of New Jersey and the NRA was on the board of Roosevelt's Warm Springs Foundation. So, in but one of many examples, we find the Rockefeller-controlled Vacuum Oil Company prominently assisting in the creation of Bolshevik Russia, the military build-up of Nazi Germany, and backing Roosevelt's New Deal. {end}

{end}

Sutton's equating of Hitler, Stalin, and FDR - equating all 3 kinds of Socialism - is the same stance as that of Hayek, Popper, and the Mont Pelerin Society (which spawned all the Thatcherite/Reaganite think-tanks).

The Zionists and the Neocons leave FDR out of the equation, but equate Stalin and Hitler.

Sutton's Laissez-Faire philosophy is promoted by the John Birch Society and the League of Rights ([xLeague.html](#)), although they are probably more oriented to small business than to big business.

To download Sutton's books:

*Wall Street And The Bolshevik Revolution:* [http://www.reformed-theology.org/html/books/bolshevik\\_revolution/index.html](http://www.reformed-theology.org/html/books/bolshevik_revolution/index.html)

*Wall Street and the Rise of Hitler:* [http://www.reformed-theology.org/html/books/wall\\_street/index.html](http://www.reformed-theology.org/html/books/wall_street/index.html)

*The Best Enemy Money Can Buy:* [http://www.reformed-theology.org/html/books/best\\_enemy/index.html](http://www.reformed-theology.org/html/books/best_enemy/index.html)

Sutton was at the Hoover Institution when he published his trilogy on the USSR, about how the West sold it technology, knowing that the USSR used it for its own civilian and military projects:

*Western Technology and Soviet Economic Development 1917 to 1930*

*Western Technology and Soviet Economic Development 1930 to 1945*

*Western Technology and Soviet Economic Development 1945 to 1965*

Some of these books can still be bought new at Amazon Books.

For second-hand copies, try Abebooks: <http://dogbert.abebooks.com/abe/BookSearch?an=antony+c+sutton>

Making sense of Stalin: [stalin.html](#).

The CIA infiltrating the Left: [cia-infiltrating-left.html](#).

The Doctors Plot: Stalin accused of endorsing the *Protocols of Zion*: [toolkit3.html](#).

Back to the Zionism/Communism index: [zioncom.html](#).

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