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Statement of
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at the meeting of the
MINING AND METALLURGICAL SOCIETY OF AMERICA
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I am speaking this evening solely as a member of the mining engineering profession. My observations may, or may not, be shared by my friends in the lead industry.

I am afraid the gap between Evan Just's valued opinion and my own thinking is so wide, and so fundamental, that there is little prospect of bridging it. If I understand him correctly, he is willing to tolerate a large amount of Government control for the mining industry in return for some security. I feel, on the contrary, that the very things he advocates will not lead to security but to such a loss of our precious freedoms that the result would be most unpleasant. This question of security for all of us is too broad a topic to debate this evening, but it might well be a subject for some future meeting.

In these serious times I think we are all justified in exerting our most strenuous but peaceful efforts to remove Government controls from the backs of the nonferrous metal industry, controls that vividly demonstrate what they can do not only in the lead industry but also in meat, housing, and dozens of other instances. I anticipate a strong drive to continue certain controls but I hate

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to see any one from the mining industry give it any encouragement. The C.P.A. has already announced its intention to recommend to Congress an extension of Government controls on lead and other commodities next year. What does that mean? It signifies, in peacetime, continued inability to sell lead in the best market available, nationally or internationally, inability to purchase foreign lead even though desperately needed, inability to produce many useful lead products for which there may be an intense public demand. It means having a Government agency decide whether white lead, shoet lead, ethyl fluid, and dozens of other items are to be produced, and in what quantities. I think we have had enough of these controls, and that the sooner we get rid of them the sooner will the lead industry grow and continue to serve the public.

I am confident that the lead industry does not subscribe to Evan Just's recommendation of "producer compacts designed to stabilize production under Government's surveillance." The lead industry went all through that during NRA days. Then, and I believe now, they want free markets and competition.

Let me also say a word on the tariff since this is brought into the discussion by Mr. Just. Again I must disagree with his premise. The United States is not a creditor nation. This may come as a surprise to him, as it has to others, but the facts are clear to any one who studies the statistical findings of the Department of Commerce, or say, those of the National City Bank. That is no reason, therefore, why we should reduce our moderate tariff protection. I still think it is desirable to protect American labor by means of the tariff.

During the business depression of the '30's, I recall visiting the late Senator Borah in Washington and discussing with him the Government's proposed NRA program for industry. Senator Borah advised then, quite wisely I felt, that we ought to solve our own problems, that introducing the heavy hand of the Government into our business would ultimately be regretted by us. The lead industry generally shared that opinion, and you may recall that the Code of Fair Competition for the Lead Industry, when finally evolved, was a simple document - essentially a labor code. I believe that the lead industry has not changed its views since then and that it wishes to conduct its affairs without Government wartime controls or "planning." I believe it wants a free competitive market.

I think it can be shown that wherever Government does enter into industrial relationships with business the price is generally steep. Look at the lead situation today. As a result of Government controls on production, profits, imports and prices a severe shortage has been created with unemployment among users already visible. Government controls have been imposed on nearly all lead mining operations in the United States through subsidies distributed under a discriminatory premium price plan. The subsidized lead mines are forbidden by the Government to earn more than a certain margin of profit. I don't know anything better calculated than this to destroy incentive. Observe how the Government controls on wages, on exports and imports, and Government controls on prices all interlock, and how the establishment of one control, to become effective, leads to the imposition of another, and so on. O.P.A price control required the establishment of subsidies, and subsidies required controls on wages.

If anyone feels that the functioning of a peacetime subsidy plan is a simple proposition with the mining operator on the receiving end, and without any sacrifice on his part, I think he will be disappointed.

THE PREMIUM PRICE PLAN

It is said that the premium price plan has saved the country hundreds of millions of dollars and impressive figures are advanced to prove the point, but I note they invariably leave off any mention of the fact that, if there had not been a discriminatory price system, but a flat premium, or no premium, the Government would have reaped large sums in the form of taxes, from the low-cost producers, sorely needed to defray the cost of an expensive war. On balance, I do not think the showing for those who defend the premium price plan is as convincing as they try to make it.

If we are to continue to have the Government participate in our industry through the peacetime granting of subsidies, then the mining industry ought to drive for a uniform type of subsidy. I do not see why the mining industry should have a subsidy system different from that given agricultural interests. No cattle raiser during the war was asked to disclose his profits and have his cattle subsidy patterned on his individual profit position, nor did any dairy receive such treatment. But the mining industry did, and I think it is discrimination against the much smaller nonferrous mining industry. Every pound of lead produced, regardless of where it originates, should receive the same subsidy per unit of weight. That would be a much fairer system, in that it treats all operators alike no matter where they are situated. Why should the lead from, say, Utah, command more than the lead from Missouri, or vice versa? Flat premiums would take away the decision as to the size of a metal subsidy from some human committee, working under highly complicated formulae, and the possible introduction of emotional factors in their decisions, to the automatic operation of a uniform subsidy much more easily administerable. More importantly, it would not destroy the incentive to produce efficiently. In addition, the more profitable operations would pay larger taxes to the Government and thereby help to reduce the public debt.

Some lead mining companies receive no premium from the Government and are compelled to sell their output today at the ceiling price of 8.25¢ per lb. although they could obtain 10.25¢ in the world market. This situation is particularly unjust as the Government, at the same time, is purchasing heavy tonnages of lead from Mexico and other countries at 10.25¢ per lb. with no questions on profits asked, and reselling it in the United States at 8.25¢, absorbing the 2¢ per lb. loss. Why shouldn't our own people receive treatment equal to that accorded the Mexicans? What kind of a subsidy system is this that favors the nationals of other countries at the expense of all of us? Of course, when the Administration's policy is to subordinate everything else to the maintenance of a fixed low ceiling price and partly cartelizes the world lead economy, we run into such discriminatory practices.

And note what happens to the lead consumer under the subsidy and Government cartel system. You may have read in the newspapers how some lead manufacturers have already been forced to shut down for lack of lead. In anticipation of this unpleasant prospect, and anxious to keep their men at work, a few have approached Washington for permission to import lead privately, with the understanding that they would observe domestic ceilings, and would absorb any loss involved in the purchase of higher cost foreign lead. Their pleas were denied. Naturally, no other decision could be expected under the existing system when every thing must revolve around the price control axis.

Lead mining companies receiving an average price of less than 11.31¢ per lb. (or the world market price of 10.25¢ plus the emergency tariff of 1.06¢) for their output today, including the benefit of any premiums, can contend they are not being subsidized, for they could obtain that for their production in an open market. They are being sacrificed on the altar of price stabilization. Therefore, only those mines averaging more than 11.31¢ per lb. for their lead may be said to be subsidized by the Government. The present discriminatory premium price plan works to the detriment of the low cost efficient producer, for the Government denies the nonpremium, and low-premium mines, the opportunity in peacetime of selling their production in the best market available. Moreover, no matter how hard the subsidized mines may work to reduce their costs, which might be reflected in greater profits, the effort would come to naught because the Government would make a prompt adjustment in each quota as profits improved. This goes against the grain of the mining engineer trained under the free enterprise system who feels that his responsibility is to help procure the utmost in value in exploiting a resource that can only be mined once.

Only by dint of extraordinary effort have the silver miners, who were successful in procuring an advance in silver price from 77¢ to 90¢ been able to

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procure a reflection of the silver price in their quota calculations. Until recently they received no credit for their silver content whatsoever.

Some months ago, prior to appearing at a Senate Committee hearing, I canvassed both large and small lead miners in the United States to learn their sentiment toward the current subsidy system and to inquire whether they favored a return to a free market. I found they were all in favor of an open and unsubsidized lead market. They were quite willing to face the possibility that they may, at some time in the future again have a period of low prices, possibly forcing some to shut down. After all, they have lived through similar periods in the past, and survived, and they believe they can do so again.

Just now when lead is scarce and promises to be so for the "foreseeable future" the miners do not have any marketing problem, but I don't doubt but what the shoe may be on the other foot in a matter of years. I am sure that one of these days they shall want customers again! With such a wonderful metal to sell as lead, the miners can then do what they have done in the past, use their combined resources to promote the metal for both old and new uses and stimulate markets to keep the mines busy. I think that is a much sounder system for the lead industry than to lean upon a Government crutch, either in times of adversity or during general prosperity.

The C.I.O. United Mine, Mill and Smelter Workers Union has publicly declared itself in favor of nationalizing the nonferrous metal mines in the United States, by which I take it they want the Government to purchase them, so that the Union will work for the Government and not for private capital. If that should happen I presume the need for a union would disappear. I note also that the same Union is strongly in favor of a continuation of the present complicated subsidy plan for nonferrous metals. It is quite easy to grasp why this should be so. Under the current premium price plan the Unions can demand whatever labor rate they see fit, and rely upon the Government, through liberal quota treatment, to make up the increased cost.

I believe that those employers who are inclined to favor subsidies should think twice before they fall in the snare of this socialistic thinking. It is quite conceivable that a continuation of the present subsidy system will increase the cost of mining in the United States to such an extent that the nonferrous metals will be priced above the world market, and out of their regular outlets, with serious unemployment threatened during any business recession.

I sympathise with those producers who have been receiving up to 15-3/4¢ per lb. for their lead, 17-1/2¢ for zinc and 28¢ for copper and who fear the future will witness a period of low prices. But why should they despair? Copper, lead and zinc to my mind have a bright future. Extraordinarily large amounts of these metals will be required for our economy which is beginning to wake up again after a long sleep during the '30's. I don't know where the metal will come from, especially lead, which will have new responsibilities thrust upon it when the atomic power age begins in earnest. I don't think any one can say that the possibilities - or markets, if you prefer - for those great servants of mankind have been fully exployed. Why not, then, cultivate them intensively, creating such a demand that the prices will be satisfactory to nearly everyone?

Because of the present terrific business readjustments the probabilities are good that some of the markets these three nonferrous metals have enjoyed for years will vanish in whole or in part as a result of high postwar prices and because cheaper substitutes are now ready to take over. We must not forget, however, that nonferrous metal prices are not high in comparison with the general price level. Lead, today, should be selling at close to 11¢ per lb. when compared with the Bureau of Labor Statistics index for all commodities, and at 13.5¢ when compared with the index for farm products. Instead the ceiling is 8.25¢.

In conclusion, I have an idea that most of my warm and adventurous mining friends, deep down in their hearts, when they reflect upon the subsidy problem, have distinct reservations about the wisdom of permanent peacetime subsidies. If they insist upon subsidies for themselves I suppose they are prepared to grant a similar right to the marginal petroleum producer, or to the numerous nonmetallic industries from fluorspar to talc, so indispensable in war as in peace, or to the lumber industry and others. If that is the kind of a sea on which they wish to embark, they will have to excuse me for staying behind. I would prefer to be connected with a line of work that will continue the tradition of free enterprise that made America great. Maybe that's reactionary thinking today. But if it is reaction to steer away from socialism, or the beginning of the compulsory state, I am proud of the designation. Only I shall be keenly disappointed that some in my profession, so noted for pioneering and adventurousness, and for its resourcefulness, have become soft, and under the siren slogan of security are sacrificing their independence and enterprise.