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LEAD INDUSTRIES ASSOCIATION

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NOT FOR PUBLICATION

DOMESTIC LEAD PRODUCERS*

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IN GENERAL:

My remarks are confined to the "domestic miner" as distinguished from the "integrated operator" who may conduct smelting, refining, marketing and manufacturing activities and who may have a direct or indirect interest in foreign lead production.

The miner has the same general problems as any other business. In addition he has all the complicated problems inherent in any wasting asset industry. He has no control over the price of his product, and today he is confronted with inadequate tariff protection, which, in conjunction with foreign currency devaluation, the demand for United States dollars and the operation of the "Marshall Plan," has brought about a chaotic condition in the industry..

PRODUCTION PROBLEMS IN A DECLINING METAL MARKET:

Let us examine for a moment this problem which exists today where drastic declines in the price of lead have occurred without any compensating reduction in labor and material costs.

Unless the miner has a rich orebody which has not been made marginal by price declines he will attempt to upgrade his product, reduce costs and increase labor efficiency. In all likelihood he can only succeed in the upgrading process. This involves the mining of his better grade ores. It may also involve mining narrower vein widths. Needless to say, only necessary development work will be performed. Exploration work will come to a halt. If he can not make both ends meet under these circumstances and his operating loss exceeds his maintenance expense on a shut down basis, he will close his property. The latter has already been the fate of numerous lead mines in the West. Any further decline in the price of lead will add to the number of mines which were forced to take the shutdown route.

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As the miner has no control over the price of his product he is really up against a tough proposition. His condition at the present time has been brought about by a combination of factors over which he has no control. As a result of the low tariff on lead, the desire for dollar exchange and foreign currency devaluations, the United States has become the dumping ground for foreign lead. This alone would produce a drop in the domestic price for this metal. However, where it is aggravated by the effort of a large seller to balance sales of metal against intake, and the policy of manufacturers and fabricators temporarily to stop buying in an effort to secure cheaper raw materials, the miner really takes a beating. I can appreciate the position of the sellers and buyers of lead under these circumstances, and am only pointing out the cumulative effect these actions have on the miner.

SHOULD DOMESTIC MINING RECEIVE SPECIAL CONSIDERATION:

This raises the question of whether or not the miner of base metals should have the market price for his product protected by tariffs or other devices designed for that purpose.

I personally believe that there are two important reasons why some price protection should be accorded the domestic miner of base metals. They are as follows:

1. A healthy and productive base metal mining industry in this country is essential for our national security in the event of war, and is a possible deterrent to aggression in peacetime.

2. A healthy and productive base metal mining industry is likewise essential to the maintenance of our domestic economy in peacetime.

Let us examine these two propositions.

PROTECTION IN THE EVENT OF WAR:

Any thinking person would be forced to admit that base metals in ample quantity are essential to successfully wage a modern war. However, we may overlook the important fact that any weakness or deficiency in this respect may be the deciding factor in the decision of any possible aggressor to commence war against us. It would be an invitation to national suicide to ever allow ourselves to get in a predicament where we are not assured of an adequate supply of base metals at all times.

Consequently, our cheapest insurance against aggression is to make sure that we have an adequate supply of base metals within our borders to meet any emergency. The only way this can be accomplished is to supplement a desirable but undeterminable tonnage in the national stockpile by a healthy and productive domestic base metal mining industry.

PROTECTION OF OUR DOMESTIC ECONOMY IN PEACETIME:

The question immediately arises whether or not the argument propounded with respect to wartime has any application during peacetime. We are familiar with the argument that when foreign metals can be acquired cheaper than our domestic products the consumer should be entitled to receive this advantage; and if it means the shutdown of our domestic mining industry it is simply a victim of the economic law of supply and demand, which acts to conserve our mineral reserves. We know that this is an oversimplification of the problem, and from a long range standpoint it wouldn't work out in this fashion.

In the first place it overlooks certain important consequences that would result from a shutdown of our domestic mines. Due to the fact that the United States produces over 40% of the world's copper, lead and zinc, and presently consumes around 50% of the same, any severe curtailment of production in this country would result in higher prices which would offset the temporary advantage gained by the influx of foreign metal. So from the long range standpoint neither the manufacturer nor the consumer would secure any permanent price benefit. In the process base metal mining would suffer a severe blow. Average to low grade ore remnants in "high graded" mines would be irretrievably lost. Some shut down mines would never reopen because underground conditions would make it a staggering undertaking. Severe economic dislocations would occur in communities dependent upon base metal mining. Unemployment would result. The industry would also sustain a serious loss in its technical and other trained personnel.

Even if only our peacetime economy were at stake, I do not believe the price paid for the temporary advantage to the manufacturer and consumer is worth the cost.

CONCLUSION - REMEDIES:

I believe one conclusion is inescapable, namely, "it is necessary both from the standpoint of our national security in the event of war, and the welfare of our domestic economy in time of peace, that our base metal mining industry be protected, fostered and encouraged." If it is not we may pay a horrible price for our neglect, which would be all out of proportion to the relative cost entailed to accomplish this objective.

The United States Government could help remedy the condition of the lead producing industry by providing adequate tariff protection. However, unless the Congress and the Administration is made to realize the danger incident to allowing this basic industry to remain in this condition one can not expect any governmental relief. The alternative to tariff relief would be subsidization, which I, personally, believe is a remedy of last resort, and should not be tried until all other efforts have proven unsuccessful from the standpoint of insuring our future national welfare. Other incentives to a productive metal mining industry would be the removal of governmental restraints such as restrictive tax policies, restrictive public land policies and restrictive mine financing policies.

Non-producing members of the Lead Industries Association might also help if they likewise realize that it is important from their own long range well being to maintain a healthy and productive lead mining industry. A slight change in your selling and buying methods might aid the producer by cushioning the effects of a price decline rather than accelerating the same.