LEAD INDUSTRIES ASSOCIATION
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THE LEAD MARKET*

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During the past year, and even during the past few months, your industry has had its fair share of good and bad news. Not so very long ago, consumers were sweating out a lead shortage with all its attending complications. Just now, producers appear to be sweating out a lead surplus, with all its potential implications.

In the final analysis lead shortages are bad not only for consumers, but for producers as well because in the final analysis, shortages are not the best way to make friends and keep them. But last year's lead shortage was good news for the Washington price controllers and regulators. It gave them a reason for being and they went to work on the lead industry in real earnest.

Now that consumers may once more use all the lead that they please and now that producers are again calling on them and trying to interest them in buying a little more, it's hard to believe that less than a year ago the government found it necessary to clamp down severe restrictions on the use of metal. I haven't forgotten the vigorous protests by the manufacturers of batteries and of white lead whose use of lead was cut back drastically and whose operations were seriously curtailed. In retrospect, these experiences might seem like a nightmare were it not for the fact that they have left their imprint on the industry. The restrictions led to the use of substitutes some of which

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are here to stay and the industry has not as yet rid itself of Government price controls and regulations which, in my humble judgement, are a distinct handicap and threat to the industry.

It is our free economy and our free enterprise system that have made us the greatest nation in the world. Today our business way of life is being challenged by Government planners who, under the guise that we are in the midst of a national emergency, have designated themselves as the chosen few who are best qualified to guide the industry. You see what is now happening to the steel industry that the Government has taken over.

Government controls, in my opinion, constitute a greater threat to industry today than they did during World War II. At least when the country was in a state of complete mobilization, we knew that once the war was over, we would also be rid of controls. But now we are in a state of partial mobilization. We have a sort of gun-and-butter economy that is likely to continue for as long as Uncle Joe in the Kremlin decides to keep the international trouble pot boiling. This dual war-and-peace economy provides a very handy peg on which to hang Government controls and ultimately hang business as well.

Nobody knows better than you producers and consumers that there no longer is any reason for either NPA or OPS controls over lead. But does Washington know it or want to know it? There is more lead now available than you can shake a stick at, but Washington is still convinced that lead will remain in short supply right through 1955. Why as recently as February 5th, a Government statistician issued figures showing that by 1955 this country will be faced with a lead shortage of some 213,000 tons. This shortage was too much of a whopper even for Government officials to swallow, and so the next day, February 6th, the figures were reshuffled and the 1955 shortage was reduced to only 75,000 tons.

With the aid of some of my good friends in the industry who know more about lead statistics than the Government's statisticians, I, too, sharpened my pencil and compiled figures showing a probable lead surplus of 125,000 tons by 1955. We'll have to wait until 1955 to see whose figures are more accurate. You know, it's ironic for Government officials to try to figure to the pound what the supply and demand will be in 1955, when in January of this year, they couldn't even foresee what would happen two months later. Remember, they placed foreign lead under allocation in January because they envisioned continued serious shortages for months to come. We know how myopic that vision was.

The point I want to make is this, that the Government is trying to lay the groundwork for continuing controls over the metal industry by creating the impression that shortages are looming ahead. Once that premise can be established, then the Government feels it is better able to cope with such shortages than you people in the industry.

I feel more convinced than ever that had it not been for the Government's iniquitous price freeze, last year's shortages might never have reached the serious stage that they did. Of course, the dilatory tactics by Congress in not expediting the suspension of the lead import duty was an important contributing factor.

The hastily conceived and poorly executed price freeze that the OPS imposed on lead and other metals on January 26, 1951, was supposed to stop inflation. While it didn't stop inflation, it very nearly put a stop to our imports of foreign lead. Our net imports of lead last year were 52 per cent lower than they were in 1950.

I am not critical of the personnel that has handled the lead regulations. They have been extremely conscientious and able men. What I'm critical of is the system, the basic theory that Washington knows better than you do, how to run your business. I think that a more appropriate word than "run," is "ruin."

It looks to me as though our Government planners are now trying to drag the metal industry on to the same road that the English trod not so long ago, much to their regret. Washington is toying with the idea of a modified form of stockpiling by means of bulk buying which the Labor Government inaugurated in England and for which the British taxpayers are now paying dearly. A bureaucrat's memory may be short, but you probably remember the events of June last year when the demand for lead was at white heat. That was the psychological time that the British Ministry chose to enter the market and place an order for some 10,000 tons of Mexican lead at 22.00¢ a pound. Before 1951 was over, the Ministry bought another substantial quantity at 21.75¢ a pound for delivery during the first quarter of this year. The British paid American dollars for this lead, dollars which they probably borrowed or got from us.

Now here's the payoff! Only a few weeks ago, the British resold us this same lead at 19.00¢ a pound for our national stockpile. That's good business - buying at 22.00¢ and reselling the same at 19.00¢. I don't say that any of us are infallible. But when a private company makes a mistake, that company pays for it. But when the Government makes a mistake, the taxpayers, you and I pay for it, and as a rule a Government being big, its mistakes are usually whoppers.

I have neither the time nor the inclination to discuss whether our Government acted wisely in bailing the British out of some 60,000 tons of lead and adding it to our own stockpile. I can't help remembering, however, that in June 1950, at about the time the Korean war broke out, our Government announced that it was not going to buy any more lead for the stockpile. This decision seemed to knock the props from under the market and the price dropped to 11.00¢ a pound. At 11.00¢ a pound, the Munitions Board was not interested in lead. At 19.00¢ a pound, it recently bought close to 100,000 tons of lead. What seems strange to me is that the stockpiling program seems to synchronize with market trends. When consuming demand runs in high gear, the stockpiling program is usually activated and when consuming demand subsides and the markets are in the doldrums, the stockpiling program somehow seems to have reached its objective.

I mention stockpiling because there is a movement afoot in Washington to add a new gimmik to this program. A plan has been formulated, but not yet adopted, whereby a Government agency other than the GSA is to buy some 20,000 tons of lead either of domestic or foreign origin, at or below the domestic ceiling of 19.00¢ a pound. This lead is to be kept in reserve from now until the end of the year. If, at any time between now and the end of 1952, there should be a sudden upsurge in the demand for lead which the supply is unable to meet, then this reserve is to be drawn upon immediately. The planners contend that having this reserve to throw into the breach in case the demand again exceeds the supply, will avoid cutbacks in civilian consumption and will avoid the red tape that is involved in getting lead out of the stockpile. On the other hand, if by the end of the year, this reserve of lead has not been used up, it is to be transferred to the stockpile.

Personally, I don't like the plan. I don't like to see the Government get a foothold in the metal business. On the strength of controlling floods the Government got into power projects, and now the Government owns and operates power lines that compete with private power industry.

Today the plan envisages lead. Tomorrow it may include copper, and the next day zinc, and later any of the metals for which the stockpile objective has not as yet been attained. To me that's the first step, and a long one at that, in the direction leading to socialization of industry.

My main objection to the plan is that it will postpone freeing the lead industry from all Government controls.

I don't think that we are likely to have a lead shortage this year as we had in 1951. Defense and civilian needs this year are estimated at 100,000 tons a month. Domestic production is on the increase. The flow of scrap has been accelerated and imports of foreign lead are gaining. All of these sources should furnish a monthly supply of about 108,000 tons. With these prospects in sight, consumers are not likely to go on another buying binge as they did last year. Instead of trying to corner all available lead supplies as they did last year, it looks as though consumers are once more going to let the producers carry the inventory bag for them. They may even reduce their own stocks to a dangerously low level; stay out of the market too long and then pay the consequences. At the moment, there appears to be no danger of a runaway market either. If there is going to be any price running, it's not likely to be in an upward direction. The fact that the Government is planning to buy a larger tonnage of lead for defense purposes, the fact that the Government is also buying lead for the national stockpile coupled with the fact that the import duty on lead will be reimposed when the price breaks through the 18.00¢ level for a month, all these factors are likely to deter an immediate price decline.

Under the circumstances, I think that the time has come for the Government to give back the lead industry its freedom, its complete freedom, from all NPA and OPS controls.

During an emergency controls are said to be a necessary evil. I am convinced of the evil all right, but I was never fully convinced of the necessity.