

Remarks by
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It is a privilege today to address this annual Joint Session of your two major minerals organizations, the American Zinc Institute and the Lead Industries Association. I am pleased to present the views of the United States Department of the Interior before your groups.

The Government has at least two major concerns with reference to mineral raw materials. The first is the adequacy of supply. The Nation must be assured of a continuing supply of metals, minerals, and fuels to meet the needs of national defense, and to support our expanding economy. The second is that the mineral resources of the country shall be wisely developed and utilized so as to contribute their maximum to the economic well-being of the people.

The effort of the Government to assure that the country will have needed supplies of raw materials is an important motivation in much of the Nation's foreign economic policy.

United States trade policies, treaties of commerce and friendship, the program of development of under-developed nations, and other important aspects of United States foreign economic policy stem in large part from the increasing awareness of the interdependence of nations with reference to resources.

The Government is not only concerned that the supplies of mineral raw materials shall be adequate to meet the needs of the economy, the Government has a major interest in encouraging the orderly development of our own mineral resources. For this reason it assists in exploration, conducts research to improve the usefulness of our resources, and in various ways stimulates the broadening of our resource base.

One key factor in the development of our mineral resources -- and one that we overlook at our peril -- is the necessity for educated and skilled manpower in the minerals area. In America today we find that the mining industry is facing a shortage of trained personnel. Our mining schools are being allowed to wither while other technologies blossom in our colleges and universities. Especially in the eastern half of the Nation, the student enrollment in mining and petroleum engineering is declining drastically. It has gone so far, in fact, that at some universities and colleges mining courses have been abandoned and departments eliminated or heavily pruned. Mining education isn't alone in this downtrend; in only twelve years we have seen the number of engineering graduates -- in all fields of engineering -- drop more than one-third. The so-called glamour fields of electronics and space technology are attracting more of the outstanding students while the mineral disciplines -- concerned with the most basic of all the world's resources -- find that they are wallflowers at the dance. You know, and I know, that there is glamour, adventure, and challenge a-plenty to satisfy all the brilliant young graduates who go into the mineral industries. We all have a responsibility to encourage students to enter our field, and to provide them with the rewards -- monetary and otherwise -- that will assure them of attractive careers.

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As a whole, however, the mineral resources of America have never been better prepared to contribute significantly to our national economic progress than they are today. Over the past few years we have made tremendous improvements in our tools and techniques of discovery. As a result, our known reserves of many minerals are greater today than ever before. Technology all along the line is moving forward -- in mining, in beneficiation, in metallurgy, in secondary recovery, in utilization. Productivity is advancing in almost every aspect of mineral production. We have a growing consciousness of the unused potentials of materials that are in abundance; our great unused coal reserves, our uranium wealth, the rich waters of the ocean, our newly discovered beryllium ores, the aluminum resources in common clays, the magnificent potential of oil shales and tar sands.

Since World War II and the Korean Conflict, we have seen an era of intense minerals exploration. Widespread search for new deposits both at home and abroad was stimulated by the growing demand coupled with the threat of shortages during periods of war or threats of war. New and more effective instruments for exploration, and improved techniques in extraction, processing and utilization evolved under these pressures.

In many instances, and you are quite familiar with them, man's resourcefulness has led to important shifts in utilization of raw materials. The materials that come from the earth are becoming increasingly competitive between themselves; few markets remain the exclusive property of a single material, thus ingenuity and just plain salesmanship are more important to specific resource industries than ever before. Always around the corner is a strong and aggressive competitor.

The net result of extensive exploration, plus the impact of competition between materials, is that productive capacity for several minerals and fuels exceeds requirements. In spite of the growth rate of the economy, much usable productive capacity now lies idle for lack of sufficient markets and incentives.

The President, in his Economic Report, has stated that the overall idle productive capacity in the Nation is on the order of \$30 to \$40 billion. In the minerals and metals area the obviously largest idle productive capacity is in the coal, iron and steel complex. Steel ingot capacity is 50 per cent greater than production. Since 1957 there has been a decline of approximately 12 per cent in domestic steel production. This decline, contrasting with an expected annual increase of four or five per cent, has had a severe effect on iron mining, ore transportation facilities, coal mining and coal transport, as well as affecting the widely diffused ferrous scrap industry.

The situation is somewhat different in the aluminum industry where the record-breaking 1962 production figure of 2.12 million tons was up 11 per cent over 1961. Yet even here a half million tons of capacity went unused, and at least one company dropped its plans for a new reduction plant; a move that had unfortunate economic results in the Pacific Northwest region.

Your own lead and zinc industries showed improved consumption in 1962. When the final figures are in you may find yourselves back to the 1955 and 1956 levels. Yet I need not remind you that the Nation has both extensive idle productive capacity in its mines and smelters and large stocks of the two metals.

The President's goal of full utilization of existing resources is essential if America's minerals industry is to continue to contribute to the economic strength of the Nation, and to provide the basic raw materials necessary for security.

The full extent to which this idle capacity dulls the incentive for exploration and new investment in plant and equipment can only be guessed; but it obviously is great and has far-reaching implications throughout the economy. We do know that in 1961 -- the latest year for which figures are available -- the mining industry (fuel and nonfuel) expended \$260 million less for new plant and equipment than in 1957. Principally this decline occurred in primary iron and steel production, primary nonferrous metals, and stone, clay and glass products.

The Kennedy Administration is dedicated to a growing United States economy and many of its policies, fiscal, monetary, social, and trade, are specifically designed for this purpose. There is also in our country an underlying philosophy of expansion, of better things for more people. I believe we can count on these forces to carry us into a period of growth in the mid sixties.

Our gross national product (the most comprehensive measure of economic activity) for 1962 was \$555 billion. This was an all-time record whether measured in current dollars or constant dollars. It is a high base from which to project into the mid sixties. But there remains sufficient slack in the economy to permit, in fact to require, a further expansion. Government policies are designed to take up this slack. For the year 1965 I believe the mineral industry can look to a GNP possibly as high as \$640 billion and should plan for markets of this magnitude. On the average this would be a 15 per cent increase. I would expect some categories to exceed this target and others to fall short. But as a whole, I don't believe this kind of planning is too ambitious.

Government policies not only are aimed at growth in the American economy, they seek also to stimulate growth of the economies of the entire free world. This I know sounds like a big order and it is. But it is the heart of the trade expansion program, our major concern in the Organization for Economic Cooperation and Development, and our objective in the various assistance programs.

Our concern for growth in the economies of the free world nations -- especially the less developed countries -- has led the Administration to emphasize the formulation of policies affecting commodity trade.

The Government would like to see a greater stability in the volume and price of raw materials.

Over the long run the interests of producers, investors, consumers, and governments are likely to be best served by an orderly development of the mineral resources of the world. Price wars, cut throat competition characterized by the ready discount, and wide open forced draught production that builds up burdensome stocks are not calculated to enable the world's mineral resources to make their maximum economic contribution to the strengthening of the economies of the countries which are primarily producers of raw materials.

I think the Kennedy Administration goes much further than previous administrations in displaying initiative and contributing ideas in the search with other nations for practical solutions to the problems of commodity trade.

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To date most of the efforts of the Government in the commodity field have been directed toward tropical agricultural products such as coffee and cocoa, although we have shown an interest in tin, have participated in the Lead-Zinc Study Group, in the OECD Nonferrous Metals Committee, in an international consultation on tungsten, and supported a request of the Organization of American States to the UN for an international consultation on copper.

While the words commodity agreement are frequently heard, the commodity policy of the Government is by no means exclusively, or for that matter primarily, directed toward the promotion of international commodity agreements. Rather it is a case-by-case approach, in an effort to find solutions which emphasize stability and which cushion the impact of violent swings in the market.

One of the stabilization techniques being given much consideration is referred to as compensatory financing. This would provide funds for nations hard hit by short term fluctuations in world commodity markets. No one expects this device alone to solve problems created by cyclical and other short-term declines in export receipts. It can be used in conjunction with more fundamental approaches which seek to expand and diversify a country's production and export.

You are, of course, aware that the United States has been actively seeking some form of international arrangement that would bring a balance into world production and consumption of lead and zinc.

A meeting of representatives of some 15 nations took place in Geneva the last week in March at which this problem was pursued further.

Most of the nations feel that some form of agreement is desirable. Several supported the idea of production controls. The United States indicated that we would find production controls of questionable desirability, and exceedingly difficult to administer, even if we were to achieve agreement on the production question. The United States representative suggested that we try a short-term program of export controls. This proposal didn't get much further than we had expected although several countries supported the idea. Nor did the proposals for production controls get widespread support.

This discussion of the increased efforts of governments to exercise more control over the commodity trade leads to a sobering, and to me disturbing, observation.

Private enterprise and the basic concepts of competitive capitalism are being examined somewhat critically in the world today in the field of resource development. Skepticism as to the ability of private capital to bring about a wise use of resources is appearing in many places. It's easy to say that it stems from the constant drumming of the Soviets and their satellites. No small part of it, however, stems from the convictions of many people that private enterprise not only cannot develop and utilize resources in an orderly manner but that the extractive industries cannot contribute much to the development of people.

Not only in the less developed countries but in such industrialized nations as England and France, people have been unwilling to turn over to private enterprise the development of mineral resources. Even here in the United States the people have been unwilling fully to permit the play of competitive market forces to determine how resources shall be developed.

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Most of the lead and zinc entering the markets of the free world is produced, sold and bought by private enterprise. There is of course a significant amount exported to the West by the centrally planned economies and some produced in western countries by state production and controlled by state trading. But the great bulk is the product of private enterprise.

Apparently some of these producers equate the principles and practices of private enterprise with the laws of the jungle.

It should not be necessary for countries such as our own to have to throw up quota barriers against imports in order to prevent a disruption of the market.

A producer's philosophy of dog eat dog must be replaced by one of live and let live -- or we may find one day that we have run through our low cost, high grade, ore and cannot meet the competition of materials that have been managed more wisely.

Every experienced miner knows that continuous high grading soon spells disaster. If collectively the mines of the world are put on a continuous high grade basis of operation -- that is, only the high grade mines operated while all others close down -- they will court the same disaster that a single mine does when it resorts to high grading.

I am not here arguing for keeping open a lot of submarginal mines. I am only saying that there must be ways and means of bringing a greater degree of volume and price stability to the production and marketing of raw materials without doing violence to our concepts of competitive capitalism.

It seems to me that the people of the world are saying three things about mineral resources. One, that no nation can dump its surplus in another's lap and disrupt its markets. Two, that no nation can sit on its resources and deny access to them by industrial nations which need them. And, three, that somehow a nation's resources must contribute to the development of its people. The growth of this latter idea is significant. Too much of the history of the extractive industries, until quite recently, has been that many times the capital of the underdeveloped but mineral-rich countries has been mined out -- and the people left undeveloped. The recent mining laws of several countries represent an insistence that a country's resources shall be used to develop the people of the country.

Interdependence of nations in natural resources is ripening into international responsibility for the welfare of peoples.

I think most of you know me well enough to rest assured that I am not proposing more government as a cure for the short-comings of private enterprise. But, the very nature of the world in which we live makes it difficult for governments to keep completely out of matters affecting business and industry, especially in relation to natural resources.

My plea today is for a responsible private enterprise -- one that is responsive to the challenges of our times. Industry must be alert, aggressive, and

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intelligent -- otherwise its markets are lost. But also industry must apply the same intelligence and foresight to the orderly and wise development of the world's resources, to the stabilization of markets, and to the development of the peoples of the world.

If the free world is to retain its freedom, private competitive capitalism must work for it.