# IMPORT TAX ON COPPER

## PROCEEDINGS IN EXECUTIVE SESSION

BEFORE THE

## COMMITTEE ON FINANCE
## UNITED STATES SENATE

EIGHTY-FIRST CONGRESS

SECOND SESSION

ON

## H. J. Res. 502

A JOINT RESOLUTION TO SUSPEND CERTAIN IMPORT TAXES ON COPPER

JULY 27, 1950

Printed for the use of the Committee on Finance

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[EXECUTIVE SESSION—CONFIDENTIAL]

# IMPORT TAX ON COPPER

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**THURSDAY, JULY 27, 1950**

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
*Washington, D. C.*

The committee met, pursuant to call, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Connally, Byrd, Johnson, Hoey, Taft, Butler, Brewster, and Martin.

Also present: Mrs. Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The hearing this morning is on House Joint Resolution 502, to suspend certain import taxes on copper. The bill, which has passed the House, and the House report will be made a part of the record at this point.

(The bill and report follow:)

[H. J. Res. 502, 81st Cong., 2d sess.]

JOINT RESOLUTION To suspend certain import taxes on copper

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That the import tax imposed under section 3425 of the Internal Revenue Code shall not apply with respect to articles (other than copper sulfate and other than composition metal provided for in paragraph 1657 of the Tariff Act of 1930, as amended, which is suitable both in its composition and shape, without further refining or alloying, for processing into castings, not including as castings ingots or similar cast forms) entered for consumption or withdrawn from warehouse for consumption during the period beginning July 1, 1950, and ending with the close of June 30, 1951.

Passed the House of Representatives July 17, 1950.

Attest:

RALPH R. ROBERTS, *Clerk.*

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[H. Rept. No. 2563, 81st Cong., 1st sess.]

The Committee on Ways and Means, to whom was referred the joint resolution (H. J. Res. 502) to suspend certain import taxes on copper, having considered the same, report favorably thereon without amendment and recommend that the joint resolution do pass.

PURPOSE

The purpose of this joint resolution is to continue until June 30, 1951, the exemption of copper, copper-bearing ores and concentrates, and various articles containing copper, from the import tax imposed by section 3425 of the Internal Revenue Code. Public Law 42, Eightieth Congress, first session, suspended the import taxes on copper until the close of March 31, 1949. Public Law 33, Eighty-first Congress, first session, suspended the import taxes on copper until the close of June 30, 1950. The present bill would be effective as of July 1, 1950, being retroactive to the extent of import tax liability applicable to copper imports which have been entered for consumption, or withdrawn from warehouse for consumption, since the expiration of Public Law 33.

## EXPLANATION OF THE BILL

The import-excise tax imposed on the copper content of copper-bearing articles was 4 cents per pound as originally provided for under the Revenue Act of 1932 (now sec. 3425 of the Internal Revenue Code). In the general agreement on tariffs and trade (the Geneva agreement) the United States reduced this tax by 50 percent, effective March 16, 1949. Thus, if the termination of the tax suspension should stand, the import-excise tax on copper would be 2 cents per pound under existing law.

Apart from the reduction accorded under the terms of the general agreement on tariffs and trade, the import taxes in question are:

(1) Four cents a pound on the copper content of copper-bearing ores and concentrates and of the articles specified in certain enumerated paragraphs of the Tariff Act of 1930;

(2) Three cents a pound on an article not taxable under (1) above if it is dutiable under the Tariff Act of 1930, and if copper is the component material of chief value; and

(3) Three percent ad valorem, or three-quarters of 1 cent per pound, whichever is the lower, on an article not taxable under (1) or (2) above, if it is dutiable under the Tariff Act of 1930, and contains 4 percent or more of copper by weight.

The tax on all forms of copper sulfate, including that known as blue vitriol and the tax on certain composition metal, of which copper is a component, would not be suspended.

Except for the change in termination date, the present legislation conforms in every respect with Public Law 33, enacted during the first session of this Congress.

## GENERAL STATEMENT

Your committee held two full days of hearings on the subject of suspension of the import tax on copper in order to afford representatives of the Government departments, domestic producers of copper, and industrial consumers of copper, as well as other interested parties, an opportunity to present their views.

According to statistics supplied by the Department of Commerce on copper supply and domestic consumption, domestic production of copper is now only 74 percent of domestic consumption. For the first 5 months of 1950, domestic copper production on a smelter basis averaged 84,705 short tons per month, while imports of copper averaged 40,876 short tons per month. For the same period, the domestic production of primary copper, according to the Bureau of Mines, has averaged less than 75,000 tons a month. If that rate is continued for the remainder of 1950, the annual production of refined copper will be about 850,000 tons. For the same period, the Bureau of Mines estimates that the total requirement of primary refined copper for commercial purposes only will be at least 1,200,000 tons, indicating a deficit of supply of at least 300,000 tons to be filled from imports. Moreover, the Munitions Board advised that steps have recently been taken to accelerate the procurement program for stockpile to the greatest extent possible consistent with available supplies and funds. This action tends to increase the market pressure, and creates a situation which minimizes the possibility of any surplus copper becoming available for the rebuilding of industry stocks for some time to come.

Since June 1949 the United States price of copper, then 16 cents, has progressively increased until it is now 22½ cents, within 1 cent of the postwar peak of August 1948 when copper reached 23½ cents per pound.

Review of the testimony of witnesses at the committee hearings indicates that the available supply of copper is currently, and for the near future is likely to be, less than demand. Taking into account the present price of copper, it appears that suspension of the import tax on copper until the close of June 30, 1951, would not impair domestic production of copper, which is now close to the highest level in history (except the 1940–44 period). In view of the foregoing considerations and of the probable heavy volume of domestic civilian and military requirements of copper over the next several months, it is the opinion of the committee that the suspension of the import tax on copper should be continued at least through June 30, 1951.

## EXCERPTS FROM EXISTING LAW

For the information of the House there are set forth below certain sections of the Internal Revenue Code, the act of March 31, 1949 (Public Law 33, 81st Cong.), and certain paragraphs of the Tariff Act of 1930:

"INTERNAL REVENUE CODE

"SEC. 3420. IMPOSITION OF TAX.

"In addition to any other tax or duty imposed by law, there shall be imposed upon the following articles imported into the United States, unless treaty provisions of the United States otherwise provide, a tax at the rates specified in sections 3422 to 3425, inclusive.

*  *  *  *  *  *  *

"SEC. 3425. COPPER.

"Copper-bearing ores and concentrates and articles provided for in paragraphs 316, 380, 381, 387, 1620, 1634, 1657, 1658, or 1659 of the Tariff Act of 1930, 4 cents per pound on the copper contained therein: *Provided*, That no tax under this ection shall be imposed on copper in any of the foregoing which is lost in metallurgical processes: *Provided further*, That ores or concentrates usable as a flux or sulphur reagent in copper smelting and/or converting and having a copper content of not more than 15 per centum, when imported for fluxing purposes, shall be admitted free of said tax in an aggregate amount of not to exceed in any one year 15,000 tons of copper content. All articles dutiable under the Tariff Act of 1930, not provided for heretofore in this section, in which copper (including copper in alloys) is the component material of chief value, 3 cents per pound. All articles dutiable under the Tariff Act of 1930, not provided for heretofore in this section, containing 4 per centum or more of copper by weight, 3 per centum ad valorem or ¾ of 1 cent per pound, whichever is the lower. The tax on the articles described in this section shall apply only with respect to the importation of such articles. The Secretary is authorized to prescribe all necessary regulations for the enforcement of the provisions of this section.

*  *  *  *  *  *  *

"SEC. 3430. APPLICABILITY OF TARIFF PROVISIONS.

"The tax imposed by section 3420 shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, 46 Stat. 590, 672 (U. S. C., Title 19, c. 4), and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such Act, except that—

"(a) the value on which such tax shall be based shall be the sum of (1) the dutiable value (under section 503 of such Act) of the article, plus (2) the customs duties, if any, imposed thereon under any provision of law;

"(b) for the purposes of section 489 of such Act (relating to additional duties in certain cases of undervaluation), such tax shall not be considered an ad valorem rate of duty or a duty based upon or regulated in any manner by the value of the article, and for the purposes of section 336 of such Act (the so-called flexible tariff provision), such tax shall not be considered a duty;

"(c) no draw-back of such tax (except tax paid upon the importation of an article described in sections 3422, 3423, 3424, and 3425) shall be allowed under section 313 (a), (b), or (f) of the Tariff Act of 1930 or any provision of law allowing a draw-back of customs duties on articles manufactured or produced with the use of duty-paid materials;

"(d) Such tax (except tax under sections 3422 to 3425, inclusive) shall be imposed in full notwithstanding any provision of law granting exemption from or reduction of duties to products of any possession of the United States; and for the purposes of taxes under sections 3422 to 3425, inclusive, the term 'United States' includes Puerto Rico."

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"[PUBLIC LAW 33—81ST CONGRESS]

"[CHAPTER 44—1ST SESSION]

"[H. R. 2313]

"AN ACT To suspend certain import taxes on copper

"*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the import tax imposed under section 3425 of the Internal Revenue Code shall not apply with respect to articles (other than copper sulfate and other than composition metal provided for in paragraph 1657 of the Tariff Act of 1930, as amended, which is suitable both in its composition and shape, without further refining or alloying, for processing into castings, not including as castings ingots or similar cast forms) entered for consumption or withdrawn from warehouse for consumption during the period beginning April 1, 1949, and ending with the close of June 30, 1950.

"Approved March 31, 1949."

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"PARAGRAPHS OF TARIFF ACT OF 1930 SPECIFICALLY MENTIONED IN SECTION 3425 OF THE INTERNAL REVENUE CODE

"NOTE.—It should be noted that the various rates of duty set forth below may have been modified by a reciprocal trade agreement.

TITLE I—DUTIABLE LIST

* * * * * * *

SCHEDULE 3.—METALS AND MANUFACTURES OF

* * * * * * *

Par. 316. (a) Round iron or steel wire, not smaller than ninety-five one-thousandths of one inch in diameter, three-fourths of 1 cent per pound; smaller than ninety-five one-thousandths and not smaller than sixty-five one-thousandths of one inch in diameter, 1¼ cents per pound; smaller than sixty-five one-thousandths of one inch in diameter, 1½ cents per pound: *Provided*, That all the foregoing valued above 6 cents per pound shall be subject to a duty of 25 per centum ad valorem; all wire composed of iron, steel, or other metal, not specially provided for (except gold, silver, platinum, tungsten, or molybdenum); all flat wires and all steel in strips not thicker than one-quarter of one inch and not exceeding sixteen inches in width, whether in long or short lengths, in coils or otherwise, and whether rolled or drawn through dies or rolls, or otherwise produced, 25 per centum ad valorem: *Provided*, That all wire of iron, steel, or other metal coated by dipping, galvanizing, sherardizing, electrolytic, or any other process with zinc, tin, or other metal, shall be subject to a duty of two-tenths of 1 cent per pound in addition to the rate imposed on the wire of which it is made; telegraph, telephone, and other wires and cables composed of iron, steel, or other metal (except gold, silver, platinum, tungsten, or molybdenum), covered with or composed in part of cotton, jute, silk, enamel, lacquer, rubber, paper, compound, or other material, with or without metal covering, 35 per centum ad valorem; wire rope, 35 per centum ad valorem; wire strand, 35 per centum ad valorem; spinning and twisting ring travelers, 35 per centum ad valorem; wire heddles and healds, 25 cents per thousand and 30 per centum ad valorem.

(b) Ingots, shot, bars, sheets, wire, or other forms, not specially provided for, or scrap, containing more than 50 per centum of tungsten, tungsten carbide, molybdenum, or molybdenum carbide, or combinations thereof: Ingots, shot, bars, or scrap, 50 per centum ad valorem; sheets, wire, or other forms, 60 per centum ad valorem.

* * * * * * *

Par. 380. German silver, or nickel silver, unmanufactured, 20 per centum ad valorem; nickel silver sheets, strips, rods, and wire, 30 per centum ad valorem.

"Par. 381. Copper in rolls, rods, or sheets, 2½ cents per pound; copper engravers' plates, not ground, and seamless copper tubes and tubing, 7 cents per pound; copper engravers' plates, ground, and brazed copper tubes, 11 cents per pound; brass rods, sheet brass, brass plates, bars, and strips. Munts or yellow metal sheets, sheathing, bolts, piston rods, and shafting, 4 cents per pound; seamless brass tubes and tubing, 8 cents per pound; brazed brass tubes, brass angles, and channels, 12 cents per pound; bronze rods and sheets, 4 cents per pound; bronze tubes, 8 cents per pound.

* * * * * * *

"Par. 387. Phosphor-copper or phosphorus-copper, 3 cents per pound.

"TITLE II—FREE LIST

* * * * * * *

"Par. 1620. Bells, broken, and bell metal, broken and fit only to be remanufactured.

* * * * * * *

"Par. 1634. Brass, old brass, clippings from brass or Dutch metal, all the foregoing, fit only for remanufacture.

* * * * * * *

"Par. 1657. Composition metal of which copper is the component material of chief value, not specially provided for.

"Par. 1658. Copper ore; regulus of, and black or coarse copper, and cement copper; old copper, fit only for remanufacture, copper scale, clippings from new copper, and copper in plates, bars, ingots, or pigs, not manufactured or specially provided for.

"Par. 1659. Copper sulphate or blue vitriol; copper acetate and subacetate or verdigris."

The CHAIRMAN. We will insert at this point in the record, reports of the Tariff Commission and the Treasury Department.

The reports are as follows:

UNITED STATES TARIFF COMMISSION,
*Washington, D. C., July 28, 1950.*

The Honorable WALTER F. GEORGE,
*Chairman, Committee on Finance,*
*United States Senate.*

DEAR SENATOR GEORGE: Reference is made to your request of July 21, 1950, for a report by the Commission on House Joint Resolution 502, Eighty-first Congress, a joint resolution "To suspend certain import taxes on copper."

The proposed resolution would suspend import-excise taxes on copper imposed under section 3425 of the Internal Revenue Code with respect to imported articles entered for consumption or withdrawn from warehouse for consumption during the period July 1, 1950 to the close of June 30, 1951. The copper taxes were suspended from April 30, 1947 through June 30, 1950, and entries of foreign copper have been subject to tax since July 1 last.

On July 16, 1950, the Commission forwarded to you a report on House Joint Resolution 494, Eighty-first Congress, which provided for the extension of the suspension of the copper taxes for 2 months. That report (copies of which are enclosed) contains all the information which the Commission is able to supply at this time.

Sincerely yours,

OSCAR B. RYDER, *Chairman.*

UNITED STATES TARIFF COMMISSION

WASHINGTON

MEMORANDUM FOR THE SENATE FINANCE COMMITTEE ON HOUSE JOINT RESOLUTION 494, EIGHTY-FIRST CONGRESS, A RESOLUTION "TO SUSPEND CERTAIN IMPORT TAXES ON COPPER"

House Joint Resolution 494, introduced and passed by the House on June 27 1950, would continue until August 31, 1950 the suspension of the import-excise tax on copper.[1] The former suspension of the import-excise tax on copper lapsed on July 1, 1950 so that if House Joint Resolution 494 were now enacted it would restore rather than continue the suspension of the import-excise tax on copper. The bill, if enacted as drafted, however, would probably be retroactive to July 1, 1950.

Public Law 43, Eightieth Congress, suspended this tax from April 30, 1947 through March 31, 1949 and Public Law, 33 Eighty-first Congress, enacted March 31, 1949, extended the suspension through June 30, 1950. Although the suspension of the tax did not become effective until 1947, most of the large imports which entered during the war period were for the account of the Government and were entered free.

The import-excise tax imposed on the copper content of copper-bearing articles was 4 cents per pound as originally provided for under the Revenue Act of 1932 (now section 3425 of the Internal Revenue Code). In the General Agreement on Tariffs and Trade (Geneva agreement) the United States reduced this tax by 50 percent, effective March 16, 1949. Thus, with the termination of the suspension on July 1, 1950, the import-excise tax on copper is now 2 cents per pound.

[1] The present resolution would suspend the import-excise tax on the copper content of copper-bearing articles, including ores and concentrates, copper matte, blister copper, refined copper, and copper-containing alloys (brass, bronze, bell metal, nickel, nickel silver, phosphor copper and composition metal) but excluding copper sulfate. Public Law 42, 80th Cong., suspended the tax on the same articles, but Public Law 33, 81st Cong., which extended the suspension, excluded from free entry composition metal as well as copper sulfate.

TABLE 1.—*Unmanufactured copper: United States production, deliveries, stocks, imports, and exports; monthly averages for 1947–49, the first quarter of 1950, and available statistics for April and May 1950* [1]

[Short tons copper content monthly averages]

| Item | 1947 year | 1948 year | 1949 | | | | | 1950 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | First quarter | Second quarter | Third quarter | Fourth quarter | Year | First quarter | April | May |
| **Production:** | | | | | | | | | | |
| Mine output [2] | 70,630 | 68,806 | 61,553 | 67,075 | 56,866 | 61,639 | 61,763 | 71,614 | 73,251 | 74,617 |
| Secondary [3] | 31,948 | 41,181 | 39,333 | 31,333 | 23,666 | 32,333 | 32,500 | [4] 29,700 | [4] 25,000 | [4] 25,000 |
| Total | 112,578 | 109,986 | 100,966 | 98,408 | 80,532 | 93,972 | 94,233 | [4] 101,314 | [4] 98,251 | [4] 99,617 |
| **Foreign trade:** | | | | | | | | | | |
| Imports for consumption: [5] | | | | | | | | | | |
| Refined | 12,523 | 20,845 | 28,788 | 25,060 | 20,949 | 17,317 | 23,023 | 23,630 | 18,862 | (6) |
| Other [7] | 25,212 | 19,657 | 28,266 | 22,446 | 18,079 | 28,678 | 24,373 | 30,505 | 14,256 | (6) |
| Total | 37,735 | 40,502 | 57,054 | 47,506 | 39,028 | 45,995 | 47,396 | 54,135 | 33,120 | (6) |
| Exports [8] | 12,457 | 12,276 | 13,591 | 12,156 | 9,151 | 13,673 | 12,192 | 15,563 | 14,958 | (6) |
| Production plus imports minus exports | 137,856 | 138,210 | 144,329 | 133,858 | 110,409 | 126,094 | 129,437 | [4] 139,886 | [4] 116,513 | (6) |
| **Deliveries and stocks, refined copper:** | | | | | | | | | | |
| Deliveries by refiners | 115,305 | 112,037 | 101,695 | 51,451 | 79,723 | 111,333 | 86,051 | 115,612 | 101,729 | 112,887 |
| Refiners' stocks | 77,244 | 76,325 | 61,115 | 122,953 | 207,768 | 139,925 | 138,195 | 79,606 | 57,026 | 51,020 |

[1] All figures preliminary.
[2] Estimated recoverable content of ores and concentrates.
[3] Represents copper in all forms from old scrap.
[4] Estimated.
[5] All imports entered free of duty for the period shown.
[6] Not available.
[7] Represents copper in ore, concentrates, matte, blister and scrap copper.
[8] Represents copper in ore, concentrates, matte, blister, refined and scrap copper.

Source: Production, U. S. Bureau of Mines; deliveries and stocks of refined, Copper Institute; foreign trade, U. S. Department of Commerce.

TABLE 2.—*Copper: Changes in United States published prices of electrolytic copper, delivered Connecticut Valley, from Nov. 8, 1946 (last day OPA maximum price on copper was in effect) to June 6, 1950*

[Cents per pound]

| Date of change | New price | Date of change | New price |
|---|---|---|---|
| 1946.—Nov. 8 (OPA ceiling) | 14.37½ | 1949.—Apr. 21 | 20.00 |
| Nov. 12 | 17.50 | May 2 | 18.50 |
| Nov. 20 | 18.50 | May 9 | 18.00 |
| Nov. 23 | 19.50 | May 25 | 17.62½ |
| 1947.—Jan. 28 | 20.00 | June 8 | 17.00 |
| Mar. 3 | 20.50 | June 13 | 16.50 |
| Mar. 8 | 21.50 | June 17 | 16.00 |
| May 12 | 22.75 | July 7 | 17.00 |
| June 6 | 21.50 | July 11 | 17.62½ |
| 1948.—July 29 | 22.50 | Nov. 4 | 18.50 |
| Aug. 10 | 23.50 | 1950.—Apr. 18 | 19.50 |
| 1949.—Mar. 29 | 23.37½ | May 18 | 20.50 |
| Apr. 14 | 21.50 | June 6 | 22.50 |

Source: American Metal Market.

Table 1 summarizes available current statistics on domestic production of copper, deliveries of refined copper by domestic refiners (part of which is copper refined from imported crude copper), refiners' stocks, and foreign trade. It also shows the total for domestic production plus imports, minus exports, which is a rough measure of demand. Another measure of demand (not computed in the table) is afforded by the total deliveries by refineries plus the imports of refined copper, minus the total exports (which consist mainly of refined copper). Deliveries by refiners are more sensitive to changes in demand than is the domestic production.

Table 2 gives changes in the price of electrolytic copper, delivered Connecticut Valley, since OPA controls terminated.

Generally, since the close of the war, the demand for copper has materially exceeded the domestic production, and large imports have entered. There was, however, a period during 1949 when the supply for a time exceeded the demand. In the second quarter of that year, however, deliveries to consumers by refiners (not including deliveries for the Government stockpile), which had averaged about 102,000 tons monthly during the first quarter, averaged only 51,000 tons, and stocks in the hands of the refiners increased sharply. The domestic price of electrolytic copper (Connecticut Valley) declined from 23.37½ cents per pound in April to 16 cents in June. The situation changed again in the third quarter, deliveries by refiners increasing materially, although the stocks held by refiners continued to increase by reason of a shift in the holding of stocks from consumers of copper to the refiners. The price rose from 16 to 17.62½ cents per pound (this figure first quoted on July 11). In the last quarter of 1949 the general demand situation strengthened. Deliveries by refiners during the fourth quarter averaged 111,000 tons per month. In consequence refiners' stocks were greatly reduced, although they remained much larger than in 1943. The domestic price of electrolytic copper rose (November 4) to 18.5 cents per pound, at which level it continued to April 18, 1950, when the price was increased to 19.5 cents. On May 18, 1950, the price advanced to 20.5 cents and on June 6, 1950, to 22.5 cents and has continued at that level to the present time.

There was a strike in the largest domestic copper mine in the early part of 1949, ending February 8, and there were cutbacks in most mines during the third quarter. For the year as a whole, domestic mine production was about 10 percent less than in 1948, and total production, including that of secondary copper, about 14 percent less.

In the first quarter of 1950 domestic mine production of copper average 71,500 short tons monthly, an increase over the monthly average for 1949 of about 15½ percent. Deliveries of refined copper by refineries in the first quarter of 1950 averaged 115,800 tons monthly as compared with 111,300 tons during the last quarter of 1949 and 86,000 tons for the entire year 1949. Deliveries of refined copper totaled 101,700 tons in April 1950 and 113,800 tons in May, with industry reporting a shortage of refined copper to meet demand. Stocks in the hands of refiners were reduced to 51,000 tons by May 31, 1950, as compared with 116,000 tons on December 31, 1949.

Like domestic production, imports were lowest in the third quarter of 1949. For 1949 as a whole, however, they were about one-sixth greater than in 1948. Imports in the first quarter of 1950 of refined copper were 25 percent and of all copper 14 percent above the monthly average for 1949.

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TREASURY DEPARTMENT,
*Washington, July 26, 1950.*

Hon. WALTER F. GEORGE,
*Chairman, Committee on Finance, United States Senate,*
*Washington, D. C.*

MY DEAR MR. CHAIRMAN: Further reference is made to your letter of July 21, 1950, requesting a statement of this Department's views on the bill House Joint Resolution 502, "To suspend certain import taxes on copper."

The proposed legislation would extend for a period beginning July 1, 1950, and ending June 30, 1951, the suspension of import taxes imposed by section 3425 of the Internal Revenue Code on articles other than copper sulfate and other than composition metal provided for in paragraph 1657 of the Tariff Act of 1930, as amended, which is suitable both in its composition and shape, without further refining or alloying, for processing into castings, not including as castings ingots or similar cast forms.

This Department anticipates no unusual administrative difficulties under the proposed legislation and, therefore, would have no objection to its enactment.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee and that enactment of this bill would be in accord with the program of the President.

Very truly yours,

JOHN S. GRAHAM,
*Acting Secretary of the Treasury.*

The CHAIRMAN. Senator Malone, of Nevada, wishes to be heard on this bill. All right, Senator.

## STATEMENT OF THE HONORABLE GEORGE W. MALONE, UNITED STATES SENATOR FROM THE STATE OF NEVADA

### LONG-ESTABLISHED PRINCIPLE—NATIONAL SECURITY

Senator MALONE. Mr. Chairman, I have requested to appear before your Finance Committee on House Joint Resolution 502, providing for an extension of the "free trade" on copper for 1 year, because I believe the resolution to be in direct violation of the long-established principle of providing a floor under wages and investments through a tariff or import fee representing the differential in the wage-standards of living between this country and the competitive nations. I believe that the passage of House Joint Resolution 502 threatens our national security, as well as the employment and taxable property of our own country, through discouraging the investment of venture capital.

### COPPER A SYMBOL

Mr. Chairman, copper is merely a symbol in this debate, and just happens to be the first American product singled out for removal of all protection to the workers and investors of this particular industry. Thousands of other producers have been severely shaken and endangered through the operations of the State Department acting under the authority of the 1934 Trade Agreements Act as extended, under which Congress transferred its constitutional responsibility to regulate foreign trade to the executive branch of the Government. The State Department was given the authority to lower tariffs and import fees up to approximately 75 percent after perfunctory hearings.

Further hearings are scheduled at Torquay, England, in September, with the avowed purpose of further lowering the tariffs and import fees on American products. Venture capital is being frightened out of the investment field in these industries, and bills are being introduced at this time to provide Government funds to replace the venture investment capital, which we formerly took for granted would be adequate for the growth of business.

The extension of the "free trade" provision on copper is simply a trial run. Other industries and products that will be and have been affected in a similar situation include textiles, crockery, glassware, lumber, and wood products, petroleum, precision instruments, watches, wool, hides, agricultural products, steel and steel-fabricated products, mining products generally, such as tungsten, mercury, manganese, lead, zinc, aluminum, and, in fact, practically all American production except automobiles and the heavy-machinery production which the foreign countries are not yet fully equipped to produce.

All of these products are protected by a tariff or import fee; and in no case are needed imports kept out through such protection.

Senator JOHNSON. The extension or the suspension?

Senator MALONE. The extension of the suspension of the tariff on copper, which means the extension of the "free trade" provision on that strategic metal.

Senator MARTIN. Senator, when did it expire? Was it July?

Senator MALONE. It expired midnight June 30.

Senator MARTIN. Of this year?

Senator MALONE. Yes.

## FLOOR UNDER WAGES AND INVESTMENTS

Mr. Chairman, much has been said about the war effort and what a great thing it is to have "free trade" during a war. I want to say to you, Mr. Chairman, that the tariff or import-fee principle representing the floor under wages and investments on American products is a national defense measure and applies especially to the strategic and critical minerals and materials produced in this country.

This is in direct conflict with any idea that such a tariff or import fee hinders the war effort.

On the contrary, a tariff actually is a national security measure.

## IMPORT FEE ESTABLISHES MARKET ON BASIS OF "FAIR AND REASONABLE" COMPETITION

Mr. Chairman, in normal times an import fee or a tariff as applied to American-produced products establishes a floor under wages and investments and encourages the continuance of venture capital into the business stream of the Nation, both in peace and war time.

In addition, such an import fee, which should be flexible, assures the foreign nations a place in the American market on a basis of "fair and reasonable" competition.

That is all a tariff or import fee has ever been when fairly administered.

There is no question of a high or low tariff. The tariff or flexible import fee, representing the differential of cost of production between this Nation and competitive countries, assures the investor of venture capital in a business that he will not be destroyed as soon as a supply of the product can be made available from the low-wage low-living-standard countries.

TARIFF—ASSURES INVESTORS AND WORKERS THEY WILL NOT BE DESTROYED

The tariff, then, properly administered, preferably on a flexible basis, assures a market in the United States for these foreign nations on a basis of "fair and reasonable" competition; and further, Mr. Chairman, it assures the domestic producer that he will not be destroyed while paying the standard American wages. It is not copper alone.

ASSURES FOREIGN AND DOMESTIC PRODUCERS EQUAL MARKET

Mr. Chairman, in peacetime the "fair and reasonable" competitive basis establishes a market for foreign production as well as for production in this country and assures an adequate domestic production for national security, employment, and for the development of taxable property.

"GOING CONCERN" MINING INDUSTRY—STOCKPILE NECESSARY

To secure maximum production of our strategic and critical minerals, such as copper, tungsten, mercury, lead, zinc, aluminum, molybdenum, and vanadium, without which we cannot live in peace or fight in war, it is necessary to have a healthy, "going concern" mining industry. Our national security demands an adequate standby stockpile of such minerals—and a "going concern" mining industry.

This condition can be attained only through the continuous protection of the labor and capital investments in the business, which can be done only by a tariff or import fee, preferably flexible and adjustable.

WARTIME—NATIONAL SECURITY PARAMOUNT

Instead of the three categories of safety for national security, employment, and the development of taxable property, which is what makes this country go in peacetime—in wartime we are concerned mainly with national security.

The haphazard lowering of the tariffs or import fees on such materials, and most especially abolishing such protection altogether at any time is an open invitation to an enemy, during a period of our Nation's emergency, to concentrate on stopping imports entirely.

During World War II the chromite and manganese, for example, necessarily had to come from South Africa, Cuba, South America, and the Philippines. It was estimated at one time that from 75 to 90 percent of the ships leaving South Africa for the United States with such material were destroyed by German submarines. Now with the schnorkel submarine in the hands of the Russians there is no question that the casualties of shipping from South Africa or South America would be near 100 percent.

IMPOSSIBLE DEPEND UPON IMPORTS IN WARTIME—UP TO 90 PERCENT SHIPPING LOST

Mr. Chairman, I had the opportunity of serving with the Senate Military Affairs Committee during World War II as a special consultant, and Senator Edwin Johnson, Colorado, served as chairman of the Subcommittee on Strategic and Critical Minerals and Materials. We wrote the report on strategic and critical minerals a copy of which I hold in my hand.

The scarcity of such minerals is coming again in this current emergency just as it did in those days of 1941 to 1945.

In connection with that special work I kept in very close touch with the WPB, the War Production Board, and had the secret information at all times that the shipping casulaties were from 70 to 90 percent.

What saved us in those days, Mr. Chairman? The factor that saved us was that until World War II we had had a tariff and import fee on many of these strategic and critical minerals and materials, for example, on tungsten and mercury. I will not go into detail today, but I do expect to debate this vitally important subject fully on the Senate floor--if this committee permits it to get that far.

PRODUCTION—TUNGSTEN, MERCURY—WARTIME INCREASE

On tungsten, for example, the tariff was 50 cents a pound on the tungsten content of ore and concentrates.

That tariff roughly made up the differential of cost of labor and other factors between this Nation and the competitive countries, which included principally China and Burma. We know, of course, that China is gone, and Burma is in real danger.

It will be remembered that tungsten and mercury are among our scarcest minerals.

It will also be remembered that our domestic tungsten and mercury mine production became almost sufficient for domestic requirements within 6 months after imports fell off through the shipping casualties in World War II, because before the war we were producing about 45 percent of the domestic consumption of these indispensable metals, Mr. Chairman.

Tungsten just happens to be something without which you can't make a pound of tool steel, just as copper is an indispensable war material.

When the State Department lowered the tariff on tungsten from 50 cents to 38 cents per pound of contained tungsten it closed every tungsten mine in the United States--just a the suspension of the copper tariff closed the independent copper mines. Of course, tariffs are not effective during a war because the price goes above the peacetime "fair and reasonable" competitive price, but the tariff is a definite floor under the wages and investments in the business, and investors are assured that their investment is safeguarded following the emergency--there is a floor under the price.

Production can be expanded during the emergency if we already have the trained men and the trained managers. That is the reason we were able to become almost self-sufficient in the production of tungsten and mercury within 6 months following the declaration of war in 1941. If we had not been in the business to that extent, God knows what would have happened in that war; and what will happen in this war if it becomes general is yet to be determined.

WORKERS SCATTER—DIFFICULT TO RESUME PRODUCTION

Mr. Chairman, as a result of the State Department's short-sighted free-trade policy the American tungsten miners are scattered. Many of them are not available, and many, no doubt, will be in this war before we wake up and find that we have to have them in the mines.

Mr. Chairman, the same thing is now happening to the employees of the independent copper mines of this Nation.

I remember early in World War II, and Senator Johnson will remember, when we were crying on each other's shoulders in the Senate Military Affairs Committee and in the subcommittee of which Senator Johnson was chairman, wondering how to get these miners back to work after we suddenly realized that we must expand the domestic tungsten production.

Finally, we decided to recommend calling out of the Army four or five thousand miners and letting them go back to their jobs, and as long as they kept their jobs they were deferred from Army service, and if they quit their jobs they were drafted back in the Army. And, Mr. Chairman, that is what happened – and it seems we are in a fair way to face that condition once more by again following a short-sighted policy. It is almost impossible to start a mining business in a short time. It requires many months to assemble crews and do the necessary exploration.

I say to you, Mr. Chairman, that in peacetime or in wartime, the tariffs and import fees must be there as a floor under wages and investments to assure a feasible price below which the price of these minerals is unlikely to go. Then and only then venture capital will be available. I am talking now about minerals, such as copper, tungsten, and mercury, but it applies equally to textiles, scientific instruments, and many other products. In wartime, prices will go above stabilized prices. When you have a tariff and have kept a "going concern" mining industry and have the trained men available, then the wartime price will increase the normal production.

AMERICAN WORKERS VERSUS SWEATSHOP LABOR OF EUROPE-ASIA-AFRICA

It is necessary to get venture capital into the mining business in peacetime as well as in wartime because, in the absence of the stabilizing tariff or import fee, investors know, as soon as the war is over, the price will drop below the feasible level. Mr. Chairman, in the absence of such a stabilizing import fee or tariff the labor in this country is placed in direct competition with the sweatshop labor of Europe, Asia, and Africa. It is simply a matter of paying American wages—the tariff represents the difference.

The situation now, due to the lowering of tariffs by the State Department, is that the tungsten and mercury mines in the United States have closed. The United States miners have scattered. The same is true as applied to the independent copper mines.

Senator BUTLER. May I interrupt the witness, Mr. Chairman?

The CHAIRMAN. Yes.

COPPER A SYMBOL—OTHER AMERICAN PRODUCTS SAME CATEGORY

Senator BUTLER. You are speaking of tungsten and mercury. Is that covered by this resolution?

Senator MALONE. No, but I am simply citing an example. Copper is a symbol, as I mentioned. Copper is only one of the strategic metals.

The reason for the pressure on copper is perhaps not entirely unknown. The President of Chile has joined with the two large companies which control the Chile copper and the larger share of the production in this country in doing a first rate lobbying job in the United States Congress.

Senator MARTIN. Mr. Chairman; there are one or two things I am not quite clear on. What is the difference between the cost of production, we will say, of copper in the United States and in foreign countries?

DIFFERENCE IN WAGE-LIVING STANDARDS—PRODUCTION COST

Senator MALONE. I would say the difference in cost of production is in the neighborhood of 10 to 12 cents per pound. I could not furnish you the exact information because it is not made public by the operating companies.

Senator MARTIN. What is the difference in cost? Of what is that made?

Senator MALONE. Mostly labor; they pay around $2.40 wages in Chile and about $11.17 a day in the copper mines of America. That is the principal difference.

Senator MARTIN. Another thing, you said it took quite a little time to assemble the personnel to operate a mine. How long would it take to open up a new mine if you had the venture capital to do it with?

REQUIRES TIME TO REPAIR IDLE MINES—ASSEMBLE WORKERS

Senator MALONE. During the war it is almost impossible to open up a new mine because there is a prospecting job to be done first, and then an exploration job, and then the assembling of mining equipment and so on. It is a 4- or 5-year job even to find a good deposit of minerals. The chances are against finding it during wartime. It is a continuous job of finding new metal, of prospecting and exploration and development that must go on continuously and which is made possible only by a tariff or an import fee forming a floor under investments to protect the venture capital and labor interested in the business. You cannot build a mine like you build a warehouse—mining must be a continuous operation.

VENTURE CAPITAL INDISPENSABLE

Senator MARTIN. A copper mine, in order to be profitable, I presume, like a coal mine or the production of oil, has to have over a long period of years a relatively substantial market at a profit in order to keep the thing moving along, in order to encourage venture capital to come in.

Senator MALONE. That is entirely correct, Senator Martin. We were in exactly the same position in petroleum production prior to our getting into this war. If the war continues there will be such an increased demand for oil that, of course, again the existing producers will be in good shape, but little exploration will continue in peacetime because there is not a sufficient tariff or import fee on the oil at this time to equalize the cost of imports from the Middle East. Of course, without tariff protection the imports from the Middle East oil fields can close down production from our own oil fields that are furnishing fuel at a considerable distance from the point of production to produce steam power and for other uses. Such imports are coming in at this time. You remember, Senator Connally complained at length about it on the floor, and tried to secure quotas on imports.

Senator MARTIN. I would like to ask another question, although I don't wish to take too much of your time. Does a copper mine that is shut down deteriorate by reason of water or anything of that kind that almost destroys it? Is there any situation like that? I just do not know.

#### MICHIGAN MINES—INUNDATED—NOT REOPENED

Senator MALONE. Yes. For an example, there is a situation in Michigan that is described in a brief prepared and submitted by the Governor of Michigan, Mr. G. Mennen Williams, entitled "The Crisis in the Copper Country of Michigan." An excerpt from this brief says:

> During the early summer of 1939 the price of copper fell so low that the Calumet & Hecla Consolidated Copper Co., of Calumet, Mich., could no longer mine its conglomerate workings at a profit. The outlook for improved prices was bleak and the amygdaloid mines were producing at a slight profit, so the company pulled out the pumps in the conglomerate mines and the workings filled with water.
>
> The water had scarcely filled these mines when the coming of war made copper a critical metal: our national security demanded every ounce available. Engineers immediately began a survey of the cost of reopening the conglomerate at Calumet. Their conclusion was that in several years' time the workings could be pumped out and retimbered at a cost of about $20,000,000. Twenty million dollars was a lot of money and the war wouldn't wait several years. Millions of pounds of copper had to stay where it was, and the metal remained on the critical list throughout the war.

That, Senator Martin, answers your question.

#### PETROLEUM—COPPER—OTHER AMERICAN PRODUCTS

Mr. Chairman, as long as the oil situation has been brought into the picture, I want to discuss it with a word or two. Petroleum is in exactly the same position as the mining industry and in particular the production of copper, in that the competitive situation in the Middle East is such that you cannot pay the high wages of 10 to 15 dollars a day in the oil fields in this country and compete with the cheap production abroad. The production was recently severely curtailed in the oil-producing States, and I think is still curtailed at this time, Senator.

Of course, as I say, the war will bring on an increased demand and luckily it has not been curtailed long enough to stop the exploration there and to scatter the oil workers and destroy the investments. If we had gone on 10 years or 5 years we would be in the same position we are now with regard to tungsten and mercury and, as a matter of fact, copper from independent mines.

### AMERICAN—CHILE—INTERNATIONAL RELATIONS

The question, Mr. Chairman, has been raised whether we are injuring Chile with the reimposition of the copper tax; it is said that this is a foreign relations question, a foreign policy job.

Mr. Chairman, the only possible reduction of imports from Chile through the application of the principle of the flexible import fee or any tariff or import fee such as the 2 cents tax would be by the amount of the increase in domestic production. The 2 cents per pound tax, by the way, is highly inadequate; even the 4 cents which we had in the beginning, probably would not even be adequate, but the State Department has split this tariff in two for no reason whatever, simply in an arbitrary deal made with another country.

### EXCHANGE MANIPULATION—IMPORT QUOTAS, ETC.

Of course, we are entirely familiar—I hope the chairman is—with the import quotas and embargoes and manipulation of foreign currencies, with exchange rates and import licenses to keep us from trading with those countries. Chile as a nation practices manipulation of monetary exchanges—and utilizes embargoes, import licenses and government taxes on imports. Nevertheless, this copper tax reduction happened. The 2 cents tax on copper will help somewhat, although inadequately, to keep the American independent copper industry alive.

### IMPORTS FROM CHILE ONLY AFFECTED BY INCREASED DOMESTIC PRODUCTION

So the only possible chance that any imports would be curtailed at all would be the increased production in this country due to the import fee or tariff. Tariffs or import fees certainly do not curtail imports; they have nothing whatever to do with it, for only demand determines the amount of imports from Chile or any other source.

### CLOSED INDEPENDENT COPPER MINES

When we extended this suspension of the copper tax last year I remember I walked across the floor to the chairman of your committee and said, "We will close the independent copper mines in the United States of America if we do this." The chairman was very reasonable about it. He said, "I would consent to 1 year if others would agree to it," and they did, luckily.

I said, "Well, we will be meeting again, and if what I predict does not happen, we can extend it."

But what I predicted did happen, Mr. Chairman, we closed all but a very few of the independent copper mines in the United States of America, and in those labor had to take a reduction in wages and investors wrote down their investments and these few mines continued to operate on a smaller scale.

## RUSSIAN SCHNORKEL SUBMARINE COULD DESTROY CHILE COPPER

Mr. Chairman, to the extent that this 2 cent tax would open these independent mines and cause prospecting and exploration and increased production in this country, certainly it would curtail imports from Chile. Mr. Chairman, this is a national security matter and I want to say again, while I am on this matter of Chilean production, that I hope that the chairman and members of this committee will have looked at the map.

Those deposits are right on tidewater, near the ocean. One Schnorkel submarine would destroy most of their installation in 48 hours, and we would be without copper. If the enemy did not actually destroy the mine installations, let me warn you that in the last war, as I have already said, shipping was destroyed to the extent of 70 to 90 percent when we tried to get these important minerals and materials from South Africa and from other sources. Mr. Chairman, any possible increase in domestic production would, as I mentioned before, reduce to that extent the imports from Chile, the normal peacetime imports. Now, however, with the war on, both imports and domestic production would be stepped up because of increased price and demand. So, as a matter of fact, in the event of war we would import more copper than ever before, unless the foreign mines were destroyed.

## PRICE LARGELY DETERMINING PRODUCTION

The whole point of mentioning national security is the analogy between the tungsten and the mercury industry during World War II. Those mining industries were not restricted to their normal capacity like power plants, which cannot readily increase production. At a certain price they can produce a certain amount of metal. With a rise in price they can often double and treble their production in ordinary mines. During the war we increased copper production in domestic mines during one year up to 1,100,000 tons.

Senator BUTLER. If we put the price high enough could we produce enough?

Senator MALONE. An adequate price affects production, naturally, and especially in the independent mines. But to fight a war we must have a going-concern mining industry plus adequate stockpiles of strategic minerals depending upon the extent of domestic production.

Senator BUTLER. If we put it up high enough, would we produce enough for your purpose?

## TAMPERING WITH THE TARIFF DISCOURAGES VENTURE CAPITAL

Senator MALONE. We would not at this time, but we might if the tariff had not been tampered with. I want to say to the distinguished Senator from Nebraska that tampering with the tariff is almost as bad as removing it because the tampering shows the threat of possible removal. This Congress, in 1934, transferred its constitutional responsibility to regulate foreign trade by tariffs and import fees, and to regulate the national economy, to the Executive. This, of course, means that the State Department, the way this is set up, has that authority given by two acts, the first one to make a 50 percent reduction, and the second 50 percent more, which adds up to a maximum of 75 percent. A 75 percent reduction in any tariff or import fee is the same as free trade, because there can be no competition at all with foreign imports unless there is a severe lowering of the standard of living here to meet the standard of living of the competitive country.

So I say to you, Mr. Chairman, with this power over tariffs in the hands of the Secretary of State and with his record showing he does not consider the differential of cost of production between the competitive countries and this country in fixing tariffs and import fees, you have effectively stopped the flow of venture capital into businesses affected by tariffs, such as the precision instrument, the lumber, mining, glassware, pottery, lumber and wood products business and many other American industries.

The people who are in those industries have to stay there. They have to do the best they can with their investments, but no new venture capital will be available, Mr. Chairman. If this tariff had not been tampered with, if the 4-cents-per-pound tariff had not been tampered with at all, if Congress had not shown a disposition to interfere with it, venture capital would be flowing into the copper mining business at a great rate. I have a telegram here from a producer in Battle Mountain, Nev.,—that is, he was a producer—from the Copper Canyon Mining Co., Robert H. Raring, president, dated July 26. I will read the telegram at this point:

Respectfully solicit your continued efforts before Senate Finance Committee for restoration of moderate tariff on copper imports. According to official Bureau of Mines statistics, Nevada copper production in May 1950 was only 63 percent of monthly average for year 1940. This downward trend will continue despite world situation until venture capital for new mines is protected against savage market raids of cheap-labor products foreign metals. Labor is biggest cost in mining and two-cent tariff would help equalize position of domestic producers. Production costs of foreign metal well below domestic costs cause of wage differentials, and continued duty free imports only swell coffers of foreign producers at expense of American workmen, and hamstring efforts to start up new domestic mines. Restoration of tariff need not increase consumer price. Production cost differential between foreign and domestic metal sufficient to absorb moderate tariff despite any propaganda to contrary. Keystones of our national health are agriculture and mining. Agriculture was never better and mining was never worse. In the interest of self-preservation invoke spirit of Paul Revere to awaken Americans in these mournful times against soft-headed thinking and pink-tea diplomacy. Let us look to our own ramparts and man them like Americans. Regards.

COPPER MINING CO.
ROBERT H. RARING, *President.*

I also would like to insert then a wire from Mr. A. E. Petermann, vice president, Calumet & Hecla Consolidated Copper Co., Calumet, Mich. His comments on differences of cost of production are worth noting.

Reurtel have asked Oliver Dom Pierre, Senator Ferguson's secretary, to furnish you with a copy of a brief prepared for Finance Committee hearing. I have mailed copies to Senator George and all members of the committee, and, in addition, have asked Dom Pierre to file 15 copies with committee.

Proportion of labor cost to total cost is probably higher in mining than in production of any other commodity. This is so because the raw material cost is low, being essentially only depletion. Tremendously high standard of living in this country is inevitably due to high wages.

Foreign producers of metals have same advantages as domestic producers in respect to improved methods, mining equipment, and so forth. In large part these are supplied them by American capital. Therefore, foreign producers, having cheap labor with low living standard, have lower cost than domestic producers.

Where the basic cost difference is not compensated by high-grade ore, or situation permitting cheap production, such as open pits, inevitable result is to place American producer in extremely poor position to compete with foreign producer.

American producer cannot arrive at wage scale which will compete with African, Chilean. Therefore, except in times of extreme demand, American producers must sell at level which means no profit. Since extreme demand is only occasional and temporary, incentive to find and develop new underground mines is lacking. Free trade attitude simply cuts all protection from domestic producer.

Call your attention to facts that United States copper production has declined from over 1,000,000 tons per year to 840,000 tons per year since end of war. This largely due to unstable price condition and to free imports since April 1947.

Have no information relative to zinc, lead, or other strategic metals, but am sure same situation exists.

A. E. PETERMANN.

Mr. Chairman, the manipulation of the tariff, the fear that Congress will manipulate a tariff on the slightest occasion, discourages the very capital that Mr. Raring is talking about, the venture capital to prospect, to explore and to develop new mines. In this vein, I ask permission to enter into the record a table showing the change in the number of mines in operation. It is a sad, sad story, Mr. Chairman.

*Gold, silver, copper, lead, zinc lode and placer mines in production (totals by States for selected years)*

| State | 1939 | 1940 | 1941 | 1948 | 1949 (estimated) |
|---|---|---|---|---|---|
| Alaska | .......... | [1] 1,142 | [1] 855 | 298 | 270 |
| Arizona | .......... | 1,300 | 989 | 399 | 396 |
| California | .......... | 1,866 | 1,559 | 436 | 408 |
| Colorado | .......... | 1,130 | 894 | 294 | 274 |
| Idaho | .......... | 926 | 855 | 272 | 264 |
| Montana | .......... | 972 | 937 | 284 | 326 |
| Nevada | .......... | 1,010 | 877 | 386 | 327 |
| New Mexico | .......... | 343 | 248 | 93 | 83 |
| Oregon | .......... | 304 | 244 | 61 | 62 |
| South Dakota | .......... | 92 | 51 | 6 | 3 |
| Utah | .......... | 212 | 179 | 120 | 99 |
| Texas | .......... | 6 | 9 | 5 | 3 |
| Washington | .......... | 171 | 117 | 31 | 33 |
| Wyoming | .......... | 37 | 20 | 3 | 4 |
| Alabama | 1 | | 2 | .......... | .......... |
| Georgia | 25 | | 18 | 2 | 2 |
| New Jersey | 3 | | 2 | 2 | 2 |
| New York | 2 | | 3 | 3 | 3 |
| North Carolina | 17 | 58 | 7 | .......... | 1 |
| Pennsylvania | 1 | | 1 | 1 | 1 |
| South Carolina | 6 | | 7 | .......... | .......... |
| Tennessee | 8 | | 13 | 11 | 13 |
| Virginia | 6 | | 4 | 1 | 1 |
| Arkansas | .......... | | 32 | 6 | 2 |
| Kansas | .......... | | 58 | 79 | 70 |
| Illinois | .......... | | 6 | 23 | 23 |
| Kentucky | .......... | 416 | 8 | [2] 447 14 | [3] 383 11 |
| Michigan | .......... | | 7 | 11 | 9 |
| Missouri | .......... | | 93 | 90 | 60 |
| Oklahoma | .......... | | 120 | 119 | 100 |
| Wisconsin | .......... | | 123 | 41 | 43 |
| Total | .......... | 9,985 | 8,336 | 3,091 | 2,893 |

[1] Including dredges.
[2] 1941 total for group.
[3] 1948 total for group.

Source: Mineral Yearbook and Bureau of Mines.

## FIRST PROSPECT—SMALL MINES—THEN CHANCE FOR BIG MINE

Mr. Chairman, in order to have big mines you first must have small mines. In order to have small mines you first must have prospecting and exploration. Someone has to find these prospects, and there has to be a chance to make money on the time and the money expended.

## FEDERAL GOVERNMENT DOES NOT PAY TARIFF—FABRICATED PRODUCTS TO GOVERNMENT NOT AFFECTED

Mr. Chairman, since this free trade extension has been directly tied to the present war effort, I want to read the facts into the record: That the Government does not pay itself a tariff. If it did pay duties, it would make little difference because it would be putting it from one pocket into the other pocket. But during the war there was an Executive order in effect that no tariff would be paid on Government imports.

Mr. Chairman, it is also said that tariffs paid by private companies increase cost to the Federal Government of federally purchased commodities.

Senator TAFT. Is that order in effect still?

Senator MALONE. That order is still in effect, although modified.

Senator TAFT. I never thought it was valid to begin with, but I know they enforced it. It never seemed to me that the statute on which it was based justified any such order.

Senator JOHNSON. Even if it were not effective and the money was collected over here and would be paid out over there, it is just a bookkeeping proposition.

Senator TAFT. That is why nobody has ever kicked particularly about it. That is not quite true, because of course the Government can buy some copper from other people in the products that it buys and on some of the copper it has paid a tariff.

Senator JOHNSON. Only the foreign purchases would be affected. On their domestic purchases the price would be increased.

Senator MALONE. I think it is clear, I will say to the distinguished Senator from Ohio, that there would be no money lost if the private producers—the sellers to the Government—paid the tariff because the cost of the fabricated copper articles, for example, to the Government is only increased by the tariff on the copper content, and the Government would have collected the same amount when it was imported. I agree with him that it is questionable whether the order upon which duty-free entry is based was legally sound. As the Senator has said, no one kicked about it because it made no difference anyway—it was a bookkeeping operation—from one pocket into another for the Government.

Senator TAFT. It is based on an ancient statute intended to give the United States Navy the power to import ships' supplies that they buy in foreign countries without paying a tariff on it. It was stretched to cover something that I am sure never was intended.

Senator MALONE. The point I want to make to the distinguished Senator from Ohio is that it makes no difference anyway. The Government would collect the duty and then pay the same amount to the processor in any case. If a private purchaser pays a tariff direct and then sells his goods to the Government, it still is no different. Let me put it this way:

Any articles imported for use in national defense and purchased by the Government are in fact duty free, despite any and all taxes or import fees that may have been paid on them.

For example, if a woolen manufacturer imports raw wool and pays duty on it, this duty is reflected in the price of the woolen uniforms to the Government. The part of the total price which is due to any duty, however, would be offset by the revenue received through the duty. Any tariff on Government-purchased articles would therefore merely represent a bookkeeping transaction, transferring a sum of money from Government revenue to Government expenditure.

In wartime many war materials like tungsten and manganese are allocated to arms manufacturers from stockpiles, imports for which were duty free.

Any arguments, therefore, that tariffs and import fees are a hindrance to war production and national security are fallacious. So it makes no difference, anyway, no matter who pays the duty. I want to make that entirely clear. I would very much like to have questions asked now if there is any doubt about it.

Mr. Chairman, the harm is done to the industry since, by the very fact that Congress is continually nibbling at the protection of American workers from the low-wage living standard foreign nations, venture capital is effectively stopped.

PROVISION EXEMPTING FEDERAL GOVERNMENT FROM TARIFF PAYMENTS

Mr. Chairman, an appropriation act for the Navy Department approved June 30, 1914, contained the following provision. This is the provision that the Senator from Ohio referred to.

> The Secretary of the Navy is authorized to make emergency purchases of war material abroad: *Provided*, That when such purchases are made abroad, this material shall be admitted free of duty (U. S. C. title 34, section 568).

By Executive Order 9177, dated May 30, 1942, the President, under the authority of the title I of the First War Powers Act, 1941, approved December 18, 1941, Public Law 354, Seventy-seventh Congress, extended to the Secretary of War, the Secretary of the Treasury, the Secretary of Agriculture, and the Reconstruction Finance Corporation the authority possessed by the Secretary of the Navy under the above-quoted provision of the act of June 30, 1914. Purchases by the United States Maritime Commission were included in the exemption by Executive Order 9495 of October 30, 1944, purchases by the Secretary of Commerce by Executive Order 9768 of August 9, 1946, and purchases by the United States Atomic Energy Commission by Executive Order 9829 dated February 21, 1947.

Mr. Chairman, it is abundantly clear that the tariff has nothing to do with the Government purchases for stockpile or for any purpose whatsoever.

Section 12 of Public Law 413, Eightieth Congress, Armed Services Procurement Act of 1947, granted the Secretary of the Army and the Secretary of the Air Force the same authority with respect to the emergency purchases of war materials abroad as the Secretary of the Navy has in respect to such purchases under the above-mentioned act of June 30, 1914.

Mr. Chairman, further, by Executive Order 9903 of November 12, 1947, the President terminated the authority of the Secretary of Agriculture and the Reconstruction Finance Corporation to import materials free of duty under Executive Order 9177, and the United States Maritime Commission under Executive Order 9495, and of the Secretary of Commerce under Executive Order 9768. Accordingly, at present only the Secretary of the Treasury and the United States Atomic Energy Commission are authorized to import duty-free emergency purchases of war materials by virtue of Executive Order, but the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force are granted such authority by law. The authority of the Secretary of the Treasury and the United States Atomic Energy Commission under the Executive order will expire 6 months after the termination of World War II and may be sooner terminated by congressional or Presidential action.

Mr. Chairman, section 502 (d) (6) of Public Law 152, Eighty-first Congress, Federal Property and Administrative Services Act of 1949, provides that any imported materials which the authorized procurement agency shall certify to the Commissioner of Customs to be strategic and critical materials procured under the Critical Materials Stockpiling Act (60 Stat. 596), may be entered free of duty. Under this authority the Bureau of Federal Supply, General Services Administration, may import duty-free strategic and critical materials for stockpiling purposes.

Under the temporary exemptions from import duties, I go on to say, scrap iron, scrap steel, relaying and rerolling rails and nonferrous metal scrap were exempt from duty by Public Law 497, Seventy-seventh Congress. Exemption was originally scheduled to run from March 14, 1942, until the termination of the unlimited national emergency, but by Public Law 384, Eightieth Congress, the exemption was made terminable at the close of June 30, 1949. Duties have been assessed on such scrap since July 1, 1949, except for copper scrap, the import tax on which remained under suspension under the copper tax legislation referred to below.

Lead: Public Law 725, Eightieth Congress, provided for the duty-free entry of lead during the period June 20, 1948, to the close of June 30, 1949. This exemption was not extended.

Copper: The import excise tax on copper, including copper scrap, was suspended by Public Law 42, Eightieth Congress, from April 30, 1947, to the close of March 31, 1949. The suspension was extended to the close of June 30, 1950, by Public Law 33, Eighty-first Congress. Since July 1, 1950, the copper tax (reduced from 4 cents per pound to 2 cents per pound in the general agreement on tariffs and trade) has been applied to imports of copper.

I want to make abundantly clear again that even if the Government did pay the tariff, which they do not, as has been shown, it would be from one pocket into another. The Government simply pays it on the one hand and collects it on the other.

Now, Mr. Chairman, I will not go into further detail, but lead and zinc are in exactly the same category as copper. We produce approximately two-thirds to three-fourths of our domestic consumption of copper; in zinc and lead we produce more than half. I will furnish figures for the record. Imports make up the remainder.

71066—50——4

*Copper production, imports, by years, United States copper supply and domestic consumption, 1925–50*

[Average monthly figures in short tons]

| Year | Domestic production [1] | Imports [2] | Total supply | Domestic consumption [3] | Domestic production as percent of total supply | Domestic production as percent of domestic consumption |
|---|---|---|---|---|---|---|
| 1925 | (4) | 28,766 | (4) | 70,000 | (4) | (4) |
| 1926 | 74,830 | 31,998 | 106,828 | 75,833 | 70 | 98 |
| 1927 | 72,909 | 29,616 | 102,525 | 71,833 | 71 | 100 |
| 1928 | 80,655 | 32,342 | 112,997 | 82,583 | 71 | 98 |
| 1929 | 89,498 | 40,026 | 129,524 | 96,666 | 69 | 93 |
| 1930 | 62,853 | 33,732 | 96,585 | 79,666 | 65 | 79 |
| 1931 | 44,793 | 21,198 | 68,991 | 54,166 | 65 | 83 |
| 1932 | 22,807 | 16,225 | 39,032 | 30,666 | 58 | 74 |
| 1933 | 21,577 | 11,969 | 33,546 | 34,583 | 64 | 62 |
| 1934 | 23,754 | 17,754 | 41,508 | 38,583 | 57 | 62 |
| 1935 | 37,902 | 21,386 | 59,288 | 47,833 | 64 | 79 |
| 1936 | 56,686 | 15,727 | 72,413 | 62,416 | 78 | 91 |
| 1937 | 77,010 | 23,044 | 100,054 | 71,666 | 77 | 100 |
| 1938 | 51,024 | 20,904 | 71,928 | 50,666 | 71 | 100 |
| 1939 | 67,093 | 27,712 | 94,805 | 66,750 | 71 | 100 |
| 1940 | 80,137 | 40,794 | 120,931 | 89,166 | 66 | 90 |
| 1941 | 86,623 | 62,759 | 149,382 | 131,500 | 58 | 66 |
| 1942 | 97,344 | 63,611 | 160,955 | 126,500 | 60 | 77 |
| 1943 | 101,292 | 59,502 | 160,794 | 141,750 | 63 | 71 |
| 1944 | 90,672 | 65,343 | 156,015 | 138,000 | 58 | 66 |
| 1945 | 72,428 | 70,978 | 143,406 | 121,833 | 51 | 59 |
| 1946 | 53,510 | 32,773 | 86,283 | 102,583 | 62 | 52 |
| 1947 | 82,304 | 34,491 | 116,795 | 111,532 | 70 | 74 |
| 1948 | 80,886 | 42,271 | 123,157 | 116,192 | .66 | 70 |
| 1949 | 75,670 | 45,679 | 121,349 | 87,769 | 62 | 86 |
| 1950 (January-May) | 84,705 | 49,876 | 134,581 | 115,172 | 63 | 74 |

[1] Copper production on a smelter basis. Includes secondary, but excludes foreign ores and concentrates.
[2] Includes ore, matte and regulus; unrefined block, blister, and converter copper in pigs, bars, etc.; refined copper in cathodes, ingots, plates, or bars.
[3] 1925-41 is use of copper in the United States by purpose as reported by the American Bureau of Metal Statistics. 1942-50 net domestic consumption as reported by the Copper Association. The consumption figures exclude exports of refined copper and exclude any purchases made for strategic stockpile. Consumption for the years 1945 through 1948 underestimated since they do not include sales of copper for consumption by RFC.
[4] Not available.

Sources: Domestic production and domestic consumption from American Bureau of Metal Statistics. Imports from Department of Commerce.

## Zinc

*United States mine production and imports*

[In short tons]

| | Production,[1] United States mines | Imports [1] | | | Percentage of imports |
|---|---|---|---|---|---|
| | | Zinc ore | Slab zinc | Total | |
| 1930 | 595,425 | 25,887 | 347 | 26,234 | 4.41 |
| 1931 | 410,318 | 779 | 274 | 1,053 | .25 |
| 1932 | 285,231 | 1,904 | 311 | 2,215 | .78 |
| 1933 | 384,280 | 2,133 | 1,941 | 4,074 | 1.06 |
| 1934 | 438,726 | 14,277 | 1,731 | 16,008 | 3.65 |
| 1935 | 517,903 | 10,520 | 4,479 | 14,999 | 2.90 |
| 1936 | 575,574 | 172 | 11,722 | 11,894 | 2.07 |
| 1937 | 626,362 | 8,811 | 39,398 | 48,209 | 7.70 |
| 1938 | 516,703 | 18,584 | 7,486 | 26,070 | 5.05 |
| 1939 | 583,807 | 36,099 | 31,423 | 67,522 | 11.57 |
| 1940 | 665,068 | 180,320 | 16,468 | 196,788 | 29.59 |
| 1941 | 749,125 | 289,213 | 34,554 | 323,767 | 43.22 |
| 1942 | 768,025 | 368,408 | 36,352 | 404,760 | 52.70 |
| 1943 | 744,196 | 539,049 | 56,155 | 595,204 | 79.98 |
| 1944 | 718,642 | 422,700 | 63,626 | 486,326 | 67.67 |
| 1945 | 614,358 | 381,719 | 97,116 | 478,835 | 77.94 |
| 1946 | 574,833 | 272,051 | 104,743 | 376,794 | 65.55 |
| 1947 | 637,608 | 297,959 | 72,388 | 370,347 | 58.08 |
| 1948 | 629,977 | 264,218 | 93,283 | 357,501 | 56.75 |
| 1949 | 583,882 | 240,879 | 126,924 | 367,803 | 62.99 |
| 1950 (January-March) | [2] 141,500 | 60,132 | 36,773 | 96,905 | 68.48 |

[1] Based on U. S. Bureau of Mines and Bureau of the Census figures—in short tons.
[2] Estimated.

*Duties, prices, and protection*

| | Duty per pound | | Average price,[1] slab zinc, East St. Louis | Percentate of protection | |
|---|---|---|---|---|---|
| | Zinc ore | Slab zinc | | Zinc ore | Slab zinc |
| | *Cents* | *Cents* | *Cents* | | |
| 1930 | 1.50 | 1.75 | 4.56 | 32.9 | 38.4 |
| 1931 | 1.50 | 1.75 | 3.64 | 41.2 | 48.1 |
| 1932 | 1.50 | 1.75 | 2.88 | 52.1 | 60.8 |
| 1933 | 1.50 | 1.75 | 4.03 | 37.2 | 43.4 |
| 1934 | 1.50 | 1.75 | 4.16 | 36.1 | 42.1 |
| 1935 | 1.50 | 1.75 | 4.33 | 34.6 | 40.4 |
| 1936 | 1.50 | 1.75 | 4.90 | 30.6 | 35.7 |
| 1937 | 1.50 | 1.75 | 6.52 | 23.0 | 26.8 |
| 1938 | 1.50 | 1.75 | 4.61 | 32.5 | 38.0 |
| 1939 | 1.20 | 1.40 | 5.11 | 23.5 | 27.4 |
| 1940 | 1.20 | 1.40 | 6.33 | 19.0 | 22.1 |
| 1941 | 1.20 | 1.40 | 7.47 | 16.1 | 18.7 |
| 1942 | 1.20 | 1.40 | [2] 8.25 | 14.5 | 17.0 |
| 1943 (Jan. 30) | .75 | .87½ | [2] 8.25 | 9.1 | 10.6 |
| 1944 | .75 | .87½ | [2] 8.25 | 9.1 | 10.6 |
| 1945 | .75 | .87½ | [2] 8.25 | 9.1 | 10.6 |
| 1946 | .75 | .87½ | 8.73 | 8.6 | 10.0 |
| 1947 | .75 | .87½ | 10.50 | 7.1 | 8.3 |
| 1948 | .75 | .87½ | 13.58 | 5.5 | 6.4 |
| 1949 | .75 | .87½ | 12.14 | 6.2 | 7.2 |
| 1950 (May 4) | .75 | .87½ | 11.50 | 6.5 | 7.6 |

[1] Engineering and Mining Journal.
[2] O. P. A. price ceiling. Premium prices not included.

## Lead

*United States mine production, imports, exports*

[In short tons]

| | United States mine production | In ore | Lead imports | | Total | Imports, in percent of production | Exports total |
|---|---|---|---|---|---|---|---|
| | | | Base bullion | Pigs and scrap | | | |
| 1930 | 558,300 | 39,400 | 38,600 | 200 | 78,200 | 14.0 | 48,800 |
| 1931 | 404,600 | 20,900 | 32,300 | ........ | 53,200 | 13.1 | 21,700 |
| 1932 | 293,000 | 21,000 | 13,500 | ........ | 34,500 | 11.8 | 23,500 |
| 1933 | 272,700 | 6,000 | 1,600 | 100 | 7,700 | 2.8 | 22,800 |
| 1934 | 287,300 | 10,000 | 2,400 | 300 | 13,800 | 4.6 | 5,900 |
| 1935 | 331,100 | 20,000 | 1,900 | 2,100 | 24,000 | 7.2 | 7,000 |
| 1936 | 372,900 | 20,700 | 300 | 2,600 | 23,600 | 6.3 | 18,300 |
| 1937 | 464,900 | 34,100 | 1,800 | 5,000 | 40,900 | 8.8 | 20,100 |
| 1938 | 369,700 | 45,400 | 15,300 | 3,200 | 63,900 | 17.3 | 45,900 |
| 1939 | 414,000 | 30,800 | 48,900 | 7,100 | 86,800 | 21.0 | 74,[illegible]00 |
| 1940 | 457,400 | 111,300 | 19,600 | 151,600 | 282,500 | 61.8 | 23,700 |
| 1941 | 461,400 | 82,100 | 24,700 | 274,400 | 381,200 | 82.6 | 14,400 |
| 1942 | 496,200 | 79,400 | 43,900 | 369,300 | 492,600 | 99.3 | 1,900 |
| 1943 | 453,300 | 70,000 | 4,600 | 244,500 | 319,100 | 70.4 | 2,000 |
| 1944 | 416,900 | 93,600 | ........ | 226,100 | 319,700 | 76.7 | 15,500 |
| 1945 | 390,800 | 70,000 | ........ | 230,300 | 300,300 | 76.8 | 1,400 |
| 1946 | 335,500 | 44,500 | 100 | 114,700 | 159,300 | 47.5 | 600 |
| 1947 | 384,200 | 50,800 | 1,600 | 175,400 | 227,800 | 59.3 | 1,500 |
| 1948 | 386,900 | 64,200 | 7,400 | 275,500 | 347,100 | 89.7 | 400 |
| 1949 | [1] 404,000 | 107,400 | 2,350 | 289,750 | 399,500 | 98.9 | 1,000 |
| 1950—January | [2] 35,000 | 1,300 | 1,100 | 30,600 | 33,000 | 94.3 | 83 |
| 1950—February | [2] 36,500 | 10,400 | ........ | 31,300 | 41,700 | 114.3 | 154 |

[1] Preliminary.
[2] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

*Tariffs, price, and protection*

| | Tariff per pound | | Average New York lead price per pound[1] | Percent protection | |
|---|---|---|---|---|---|
| | Lead ores | In metal | | Ores | Metal |
| | *Cents* | *Cents* | *Cents* | | |
| 1930 | 1½ | 2⅛ | 5.52 | 27.2 | 38.5 |
| 1931 | 1½ | 1⅛ | 4.24 | 35.4 | 50.1 |
| 1932 | 1½ | 2⅛ | 3.18 | 47.2 | 66.8 |
| 1933 | 1½ | 2⅛ | 3.87 | 38.8 | 54.9 |
| 1934 | 1½ | 2⅛ | 3.86 | 38.9 | 55.1 |
| 1935 | 1½ | 2⅛ | 4.07 | 36.9 | 52.2 |
| 1936 | 1½ | 2⅛ | 4.71 | 31.8 | 45.1 |
| 1937 | 1½ | 2⅛ | 6.01 | 25.0 | 35.4 |
| 1938 | 1½ | 2⅛ | 4.74 | 31.7 | 44.8 |
| 1939 | 1½ | 2⅛ | 5.05 | 27.7 | 42.1 |
| 1940 | 1½ | 2⅛ | 5.18 | 29.0 | 41.0 |
| 1941 | 1½ | 2⅛ | 5.79 | 25.9 | [3] 36.7 |
| 1942 | 1½ | 2⅛ | 6.48 | 23.1 | [3] 32.8 |
| 1943—January | ¾ | 1$\frac{1}{16}$ | [2] 6.50 | 11.5 | [3] 16.3 |
| 1944 | ¾ | 1$\frac{1}{16}$ | [2] 6.50 | 11.5 | [3] 16.3 |
| 1945 | ¾ | 1$\frac{1}{16}$ | [2] 6.50 | 11.5 | [3] 16.3 |
| 1946 | ¾ | 1$\frac{1}{16}$ | 8.11 | 9.3 | 13.1 |
| 1947 | ¾ | 1$\frac{1}{16}$ | 14.67 | 5.1 | 7.2 |
| 1948—January-June | ¾ | 1$\frac{1}{16}$ | 16.20 | 4.6 | 6.6 |
| July-December | 0 | 0 | 19.89 | 0 | 0 |
| 1949—January-June | 0 | 0 | 17.13 | 0 | 0 |
| July-December | ¾ | 1$\frac{1}{16}$ | 13.60 | 5.5 | 7.8 |
| 1950—May 1 | ¾ | 1$\frac{1}{16}$ | 11.00 | 6.8 | 9.7 |

[1] Engineering and Mining Journal.
[2] OPA fixed price. Government premiums raised these prices greatly.
[3] World War II.

## COPPER—SAME PRINCIPLE AS LEAD AND ZINC

Senator MALONE. It is just as reasonable to demand that we should take the tariff entirely off lead and zinc as well as copper. As a matter of fact, the tariff on these metals has been severely reduced by the State Department, and the domestic companies have been severely injured thereby, as can be seen in the table which I submitted for the record. Lead and zinc are in exactly the same category. The only difference is, we do not have the president of a foreign nation here, as far as I know, lobbying to get the tariffs removed from lead and zinc completely.

## MANUFACTURERS WANT "FREE TRADE" ON WHAT THEY BUY—TARIFFS ON WHAT THEY SELL

Mr. Chairman, the fabricators of copper products, brass, and so forth, want to keep the suspension of copper tariffs because they are interested in availability of cheap raw material supplies, they say. I suppose we are human like everyone else; we want to buy anything we have to buy as cheaply as possible and want to sell everything at a profit. The fabricators of brass products which contain between 60 percent and 90 percent copper have a tariff of anywhere up to 60 percent ad valorem on all their products—and need it to stay in business. I do not hear the brass fabricator people asking for removal of the tariff on their brass fabricated and manufactured products.

Mr. Chairman, they could not live 60 days without the protection unless a war was on so the Government took all their production at a higher price, because they cannot any more compete with the low wages of the foreign competitive nations in the production of these fabricated products than the copper men can compete with the foreign low-wage labor in the production of copper.

So, Mr. Chairman, in the case of brass products particularly, the rates of duty on manufactured and semimanufactured goods run from 15 to 65 percent ad valorem. Anyone honestly interested in the welfare of the consumer of copper goods would have to be consistent and advocate also the cutting of tariffs on the brass semimanufactured and manufactured goods. I ask permission at this point to insert a table showing the tariffs on manufactures of brass.

*Rates of duty applicable to manufactures of brass* [1]

| Tariff paragraph | Item | Rate of duty | |
|---|---|---|---|
| | | Tariff Act of 1930 | Current rate |
| 346 | Buckles (belt, trouser, waistcoat, shoe, or slipper) and parts: | | |
| | Valued not over 20 cents per 100 | 5 cents per 100 plus 20 percent. | Same. |
| | Valued over 20 cents, not over 50 cents per 100 | 10 cents per 100 plus 20 percent. | 3½ cents per 100 plus 10 percent. |
| | Valued over 50 cents, not over $1.66⅔ per 100 | 15 cents per 100 plus 20 percent. | 5 cents per 100 plus 20 percent. |
| 1527 | Earrings, bracelets, and other jewelry: | | |
| | Valued over 20 cents, not over $5 per dozen pieces or parts. | 110 percent | 55 percent. |
| | Valued over $5 per dozen pieces or parts | do | Do. |
| 1527 | Watch chains | do | 45, 55, or 65 percent.[2] |
| 1541 | Musical instruments: Brasswinds, with cup mouthpieces. | 40 percent | $2 each but not less than 20 nor more than 30 percent. |
| 339 | Parts: Table, household, kitchen, and hospital utensils and hollow or flat ware (jardinieres, flowerpots, bowls, vases, book ends, trays, etc.). | do | 15 percent. |
| 397 | Slide fasteners: | | |
| | Valued at 4 cents or more each | 45 percent | 40 percent. |
| | Valued at less than 4 cents each | do | 65 percent. |
| | Parts | do | Do. |
| 397 | Blow torches and incandescent lamps operated by compressed air and kerosene or gasoline. | do | 25 percent. |
| 397 | Manufactures of brass, n. e. s.: | | |
| | Trouser and suspender clamps | do | 45 percent. |
| | Perfume and other fancy bottle caps | do | Do. |
| | Bases for electric-lamp bulbs | do | Do. |
| | Electric fixtures | do | Do. |
| | Curtain rings | do | Do. |
| | Automobile key blanks | do | Do. |
| | Desk furnishings | do | Do. |
| | Printers' rules (column markings) | do | Do. |
| | Hardware | do | Do. |
| | Plumbing fixtures | do | Do. |
| | Other familiar, typical, and widely used articles | do | Do. |

[1] In addition to duty provided for under Tariff Act of 1930, these articles are taxable under Internal Revenue Code, sec. 3425, which provided for an import excise tax of 1½ cents per pound on any article not otherwise provided for in this section of the Internal Revenue Code, in which copper is component material of chief value.
[2] Rate depends on value and type of chain.

## TIME TO AGREE ON PRINCIPLE—QUIT SHARPSHOOTING

Mr. Chairman, this type of argument has been going on for 75 years—luckily it is not often effective. However, such agreements lend weight to the State Department in its free trade—one economic world program; they play one producer against another, and eventually whip them both. It is a very short-sighted position for the brass fabricators to take.

Mr. Chairman, it is time for all American producers to agree on the principle of a floor under wages and investments based upon the fair and reasonable competition principle, using the flexible import fee method of adjustment of such tariffs.

### COPPER TARIFF DOES NOT AFFECT COST TO GOVERNMENT OR FABRICATORS

Mr. Chairman, if the brass fabricators paid directly the 4- or 2- or 5-cent tariff, whatever it should be, and, of course, it should be adjusted according to the differential of cost between this country and the competitive nations, due mostly to the wage and standard of living, instead of just haphazardly lowering such tariffs and import fees with no thought or no rhyme or reason, the Government would get the 4 cents as they paid it. Then when they sold their products to the Government again the Government would pay it back to them and there would be no loss and no gain. It does not make any difference whether the private fabricators buy the copper from the foreign country directly or whether the Government buys it.

### PAY AMERICAN WAGES

In the case I have shown, the Government buying directly pays no tariff. As the senior Senator from Ohio suggested, the tariff is a floor under wages and investments. So, as a matter of fact, even in peacetime, if the Government were buying the copper from domestic producers, the tariff simply prevents the price from going below the feasible mining cost. The Government would be paying the standard wages incorporated in the cost of the product, I will say to the distinguished Senator from Ohio, instead of trying to hold the price down so the workers have to lower their wages to keep producing. That is the only difference, and I think our Government should be the first to do just that.

### COPPER A SYMBOL IN AMERICAN PRODUCTION

Copper is only a symbol in this whole problem of tariffs and import fees. There is not one iota of difference between copper, lead, zinc and textiles, precision instruments, wood and wood products, petroleum, agricultural products, and scores of other goods produced by American workers. Agricultural products now have a subsidy, of course. If it were not for the subsidy, half of the farmers, maybe two-thirds of them, in the United States would be out of business, or very broke indeed.

### FLEXIBLE TARIFF OR IMPORT FEE

I will say right here that if there was a flexible import fee applicable to agricultural products, 85 percent of the agricultural products of the United States of America would not need a subsidy, Mr. Chairman. That is easily demonstrable. I will not do that today, but I do intend to debate this whole subject at some length when and if it comes to the Senate floor. It is exactly the same principle as the petroleum from the State of the senior Senator from Texas (Mr. Connally). It is the same as the products from every State in the Union. I will be prepared to show that on the Senate floor if this bill gets that far.

### DIPLOMATIC RELATIONS NOT AFFECTED

Mr. Chairman, I want to say again that there is little chance of injuring diplomatic relations or international relations with any nation, including Chile. The only possible chance of a reduction in imports from Chile, Mr. Chairman, would be through the increased production in this country brought about by the attracted venture capital investment through the stabilized price—the floor under wages and investments—in exactly the same manner that the ad valorem tariff on brass fabricated products stabilizes the price in that field and we need such assurance especially because of national security.

The tariff is a stabilizer for the price—it would have little or no effect during a war because so much more copper will be used and so many more textiles, so much more of everything that practically everything anyone can produce can be sold at a profit.

### PRODUCTION—PROSPECTS—SMALL MINES—LARGE MINES

Suppose it were peacetime and the tax did reduce the amount of copper shipped from Chile by the amount of our increased production coming from 50 or 100 new mines and prospects working in this country that might develop a few larger mines. It takes many of these prospects and small mines to have a chance to develop one large mine. The security of this Nation is the most important thing and not to be confused through a consideration of a few pounds of material more or less to be purchased from a foreign nation.

### NATIONAL DEFENSE

I want to say to you that the copper tax is a matter of national security. With these 50 to 75 or 100 or 150 new copper mines, a rise in price in an emergency such as this would increase production of copper by a substantial amount and even more if the price went up further. This rise would take place if the submarines, the schnorkels, destroyed access to those Chilean deposits, which could happen in 48 hours, and if they didn't destroy the mine installations, they could sink, as they did before, the vessels coming from South Africa and South America with the strategic, critical minerals and materials. We know we are in no position to stop the submarines at this point.

So, from a foreign relations point of view, as I say, the tax will not reduce the imports from Chile now. It has nothing to do with international relations, but if it did reduce it by 50,000 tons or 75,000 tons in the peacetime future, isn't it worth it to have additional national security? The same is true in regard to petroleum and many other products. The Middle East oil was about to shut down many of our wells and would have done it had we had 3, 4 or 5 years more without a war. Is it not worth it to have this copper and pretroleum available so that production can be immediately increased if necessary? The United States is all of the protection that Chile has—she should cooperate with us in more national security—not less. We produced up to 1,100,000 tons in 1 year in World War II.

I venture to say, if they destroyed the Chile mine installations and we had kept this tariff on copper at 4 cents a pound and all these mines had remained open, this nation could be much more secure.

I just read into the record a telegram from Robert Raring of Battle Mountain, Nev. I have dozens of such briefs and wires which I will read into the record on the Senate floor from many States throughout the Union.

I want to say again that until Congress quits its nibbling at the tariff structure of this country continually, venture capital will continue to back away from business investments. All that tariff ever was was a floor under wages and investments and it encouraged venture capital to go into business, because no matter where the price goes, no matter how high in times of temporary shortage, investors know there is a floor under that investment below which it is not likely to go.

VENTURE CAPITAL

You could not sell a share of independent copper stock in the United States of America today to anyone even if he had $10,000,000 unless he thinks the war is going to last long enough and he might get his investment back, but not in peace time. The people who have their money in these mines, like Bob Raring, at Battle Mountain, and like the investors in the mine about which the Governor of Michigan writes—they have to do the best they can to get their money out of the mines, continued operation, but no new money will come in. Anybody who is not in the oil business would not enter it if we did not have a tariff on oil.

PETROLEUM IMPORT QUOTAS

The distinguished Senator from Texas tried to get a 5-percent quota on oil which, of course, would have helped, and I voted for it. It is not the right way to do it, but it would have helped the oil business. If you use quotas, if you use subsidies, you are simply manipulating your production and putting into the hands of a bureau the whole business structure of the United States of America.

SUBSIDIES VERSUS TARIFFS

I want to say to you before I close, Mr. Chairman, that the difference between subsidies and tariffs and import fees is a very important one. In a subsidy the Congress appropriates money from the taxpayers of the United States of America every year. There is a continual danger in, for instance, a subsidy to agriculture, because when the payments grow, the people get alarmed and then Congress may not appropriate the subsidy money, and then everybody is broke.

There is no convalescent period. But a tariff is not subject to any bureau; it is not subject to an appropriation every year. It is based on principle. The tariff, of course, should be adjustable, but a tariff that is not adjustable is better than no protection at all. So if you have a tariff it is a matter of principle by law. Therefore, if this principle is followed for several years and there is no interference with the tariff, no interference with the import fees, then venture capital will start back into business because investors know that a law must be changed to change the principle. Committee hearings must be held, it must pass both Houses of Congress, and lastly the President must sign it.

Free traders know then that they have to go before a Senate committee, or a House committee, that they have to go on the floor of Congress, that they have to get the signature of the President to bring about a change. The continual manipulation and the continual nibbling at this protection of venture capital, the floor under wages and investments, has severely shaken the economic structure of this country.

I said before the distinguished Senator from Arizona entered the room that copper is a symbol in this whole field. It is a vital subject and has to be reckoned with. Mr. Chairman, I submit for the record a table showing products affected by the tariff in certain States. And I will not read it all.

### PRODUCTS AFFECTED BY THE TARIFF IN SELECTED STATES

It will be noted that each member of the committee has several products affected by the tariff but on which reductions have been made or will be made in his State.

Mr. Chairman, I ask permission to enter into the record just a partial list of the products that are in exactly the same category as copper, except that we do not have as yet an open lobby representing the president of a nation where these products are produced, demanding the removal of the tariff. We have what the State Department calls reciprocal trade treaties, made under the 1934 Trade Agreements Act. Of course, such trade treaties never were reciprocal, were never intended to be, and do not operate that way, as everyone can see now, for the very simple reason that when foreign nations agree to lower a tariff, they immediately establish quotas and embargoes, and manipulate their currency values, impose a permit system for imports, and defeat our objective from the outset.

### INDUSTRIES INJURED OR FEARING INJURY IN STATES OF MEMBERS OF THE SENATE FINANCE COMMITTEE

Georgia, Senator George: Luggage and leather goods, ladies' handbags, corduroy, velveteen, candy, mineral earth pigments, textiles.

Texas, Senator Connally: Luggage and leather goods, ladies' handbags, lead, candy, bone charcoal, petroleum.

Virginia, Senator Byrd: Luggage and leather goods, ladies' handbags, corduroy, velveteen, lead, candy, mineral earth pigments, leather fiber.

Colorado, Edwin C. Johnson, Senator Millikin: Chemical porcelain (scientific apparatus) luggage and leather goods, lead, candy, mushrooms, petroleum.

Oklahoma, Senator Kerr: Lead, candy, petroleum.

Ohio, Senator Taft: Dental burrs, luggage and leather goods, ladies' handbags, cocoa mats, fatty acids, crayons and water colors, glassware, leather gloves, braids and twines, chinaware and potters, magnesite (dolomite), corduroy, cordage and twine, candy, mushrooms, mineral earth pigments, leather fiber.

Nebraska, Senator Butler: Candy, animal glue.

Delaware, Senator Williams: Chemicals, mushrooms.

Illinois, Senator Lucas: Photoengraving and lithographing equipment, optical instruments, scientific instruments, luggage and leather goods, ladies' handbags, potassium permanganate, fatty acids, crayons and water colors, rubber footwear, cellulose products, watches, glassware, paperboard, cordage and twine, lead, leather gloves, candy, mushrooms, cocoa and chocolate, mineral earth pigments, leather fiber, animal glue, petroleum.

North Carolina, Senator Hoey: Ladies' handbags, cigarette paper, Bible paper, etc., corduroy, velveteen, candy, carpets, textiles.

Pennsylvania, Senator Myers, Senator Martin: Dental burrs, whiskies and spirits, luggage and leather goods, lead pencils, ladies' handbags, bone charcoal, crayons and water colors, fur-felt hat bodies, cigarette and Bible paper, etc., optical and ophthalmic glass, lace, fatty acids, mineral earth pigments, glassware, chemicals, woolen goods, slide fasteners, cordage and twine, bicycle tires, leather gloves, candy, mushrooms, animal glue, gold leaf and metal foil, water meters, cocoa and chocolate, carpets, petroleum.

Maine, Senator Brewster: Spring clothespins, luggage and leather goods, ladies' handbags, paper and pulp, corduroy, canned fish, leather fiber, carpets, textiles.

CURRENCY MANIPULATION, PERMITS, ETC.

I want to say to you just briefly that I do have much information on how foreign nations' currency is manipulated in most of the foreign countries for trade advantage. For example, in Colombia an importer wanted to buy a certain product made in the United States. They gave him the exchange, but what happened? They said he must pay 3¼ pesos to the dollar to purchase the goods in America.

The official exchange is 1.96 pesos to the dollar. So the competing countries—it happened to be that in that case England and Scotland were the chief competitors—so Colombia could give importers from other countries 2 pesos, 2¼ or even 3—to the dollar—and the deal was off as far as the Americans were concerned.

That is one way currencies are manipulated through exchange controls. I have gone into some detail on the Senate floor about this manipulation. Of course, we are all familiar with the latest lowering of the pound last year, which had a tremendous effect on trade agreements that had been made before. Even if they were allowed to be carried out without the quotas and embargoes and manipulations day by day that they exercise, the lowering of the pound would simply nullify every trade agreement that had been made up to that time. It is a form of trade piracy, the effect of which is apparently little understood in this country.

WAGE AND INCOME MANIPULATED

Mr. Chairman, in closing I want to say that there is a well-understood deal in the agreements between the major copper companies and the Chilean Government. I want to give you some detail in regard to this because it is the crux of the wage-living standard of that country. The Chilean Government has four basic exchange rates in relation to the dollar. These are set up so as to provide the Government with maximum dollar balances, even though Chilean importers and exporters often receive far less than the full dollar value of the respective articles.

The official government rate of 19.37 pesos to the dollar must be used by the large mining companies to cover costs of operation of the mines in Chile. Each dollar earned only represents 19.37 pesos for them, while at the free rate each dollar is worth 90 pesos. The result is that the Chilean exchange authorities make a profit of 70 pesos on each dollar.

There have been intimations that the duty of 2 or 4 cents would affect the Chilean workers' wage rates—and cause labor disturbances—even threats of communism.

It may not be generally known and understood in this country that the amount that the Chilean worker receives for his day's work has little or no relation to the price of copper—but is dependent upon the peculiar system of using different exchange values for different purposes.

To show the relation to copper under the present system, if the sale price were 20 cents per pound, a Chilean exporting 5 pounds would receive approximately a dollar. Excluding transportation and marketing costs, the Chilean Government would then take this dollar and give the Chilean copper firm 19 pesos. The Government would thus have made 70 pesos on the transaction.

On the other hand, a Chilean wishing to import something from the United States, for example, a camera film costing $1, would have to take 43 pesos to the Chilean foreign exchange office in order to receive that needed dollar. If he were going to buy some less essential item or were to visit the United States, he would have to spend 90 pesos on the free market to get his dollar. And a Chilean miner only earns approximately 225 pesos a day, or between $2.40 and $3.75, depending on the rate of exchange.

Any reduction of copper exports to the United States could easily be compensated by the Chilean Government by according a more favorable exchange rate to Chilean copper exporters, since the worker does not benefit in any case. The total amount of dollars earned by the Chilean economy would have to be accordingly less.

The second rate of 25 pesos or the export draft rate is limited to use for imports of newsprint. The third rate of 31 pesos to the dollar is used for converting nitrate export proceeds, for most official transactions, and for certain basic imported commodities. The fourth rate of 43 pesos to the dollar is the banking rate or the one used in the exchange derived from industrial and agricultural exports.

In addition to these rates the Chilean Government has begun the practice of licensing temporary individual export transactions at rates of anywhere from 50 to 100 pesos and connecting them with all imports at the same rate.

The free or curb exchange rate is 90 pesos to the dollar, which rose from 60 in 1948 to 100 pesos to the dollar at the end of 1949, and then fell again to 90 in 1950. The Chilean Government eventually plans to have a fixed rate of 60 to the dollar to cover all transactions, hoping that through devaluation the free rate will also find this level.

## ARGUMENTS FOR SUSPENSION NOT VALID

Mr. Chairman, further I want to review briefly the arguments that have been used in connection with this copper tax. I read the testimony that has been presented in the House hearings and which has become a part of the Senate hearings, or I understand will become a part. Now I want to take up each of the arguments presented for the tax suspension, and answer each one briefly.

First, the political and economic foreign relations, particularly with Chile, would suffer through the reimposition of the copper import tax. I referred to Chilean exchange manipulation just now, and shall not explain it again. At present demand for copper, it is unlikely that imports would be reduced below the present level in any case. Any increase in domestic production of copper would not take place immediately and it would be a moderate increase in any case. The imposition of the tax would, however, produce the effect that any slump in the market would not close down our mines before we reduce the imports from foreign sources, and the peacetime stabilization effect of the tariff on venture capital would be effective at once.

The second argument is that Chile is largely dependent upon copper exports for foreign exchange and revenue. It is more important to preserve the standard of living of our own miners and the national security here than to consider livelihood abroad. Besides, as was pointed out, imports will only be affected through the reimposition of the tax at present demand levels by the relatively small increase in the domestic production.

## DOMESTIC PRODUCTION CONTROLLED

Mr. Chairman, third, it is said that the 2-cent copper import tax would immediately be reflected in the selling price of copper and brass products. In the past the differential in cost of foreign and domestic copper has rarely exceeded 1 cent, even when the copper import tax was 4 cents per pound.

In the beginning it is possible that price rises up to 2 cents may take place. However, after a short period of readjustment, it is likely that the domestic copper price will again approach the level of the world price for copper. As I have already said, in part it is a manipulated price, since it is a controlled price.

The production in this country is entirely controlled, since the closing of the independent copper mines, by three major companies, and two of those major companies entirely control the Chilean production, which is the competitive country at the present time. At this point I ask permission to insert a short memorandum on the control of brass fabricators by the major copper producers. It is an interesting document, Mr. Chairman.

### Fabricators

*What constitutes the fabrication industry.*—The fabricator is the principal customer of the primary copper producer. Here most of the copper is put into semifinished form of sheets, rods, wire, extruded or rolled shapes, etc., which constitute the raw materials for a vast industry of processors of articles for final consumption or of parts for the products of other industries. The stream fans out from about 20 primary copper establishments in the United States to more than 5,000 processors, not including the electrical and machinery manufacturers who use large quantities of copper and copper products.

There are about 30 companies in the United States generally recognized as important fabricators and users of raw copper, the latter being, for the most part, the large electrical manufacturers such as General Electric, Westinghouse, etc. The more important of the fabricators are owned or controlled by one or the other of the great copper producers giving them completely integrated operations from the mines to the finished brass and copper products. Thus, for example:

American Smelting & Refining Co.[1] has interlocking directorate with General Cable Corp.

Kennecott Copper Corp, controls Chase Brass & Copper Co., Inc., American Electrical Works, now Kennecott Wire & Cable Co.; Anaconda Copper Mining Co., controls: American Brass Co., Anaconda Wire & Cable Co.; Phelps-Dodge Corp. controls National Electric Products Corp., Habirshaw Electric Cable Co. (75 to 80 percent of fabricating industry).

Each of the fabricators listed above represents the merger or acquisition of various concerns well known in the past as important producers of copper and brass products. The only important fabricators not now controlled by the copper producers are: Bridgeport Brass Co., Scovill Manufacturing Co., Okonite Co. (wire and cable), Muller Brass Co. Revere Copper & Brass Co., Inc., has interlocking directorate with American Smelting & Refining Co.

The brass fabricators controlled by the three major name copper producers produce approximately 75 percent to 80 percent of all of the brass fabricated products in this country.

Senator MALONE. I ask permission to put in the record the arguments that have been raised here and in the House hearings and their refutations.

[1] American Smelting & Refining Co. does not produce enough copper for its own account to supply the fabricators in which it is interested so these fabricators must depend in part on purchases of copper in the open market.

Source: Report of the Federal Trade Commission on the Copper Industry, 1947, pp. 54-55.

The CHAIRMAN. You may put those in the record.

### REBUTTAL OF ARGUMENTS FOR FREE TRADE IN COPPER

*Demand exceeds domestic supply for some time to come*

At present levels of production, and in the light of the present war crisis, it is likely that the demand for copper will remain relatively high for some time to come. The 2 cents per pound tax is not designed to keep imports out nor is it designed to increase the price of copper to the domestic user. The tax will merely represent an inadequate floor under wages and a small measure of protection for the domestic copper mining industry. The tax will fulfill its purpose mainly in the case of a severe drop in copper prices. In that case, the tax will serve as a small price cushion and will make up to a small degree the differential in cost of production between foreign and domestic copper.

*The tax will reduce the competitive position of copper by using substitutes to a greater degree*

This argument runs counter to the argument that the tax will increase copper prices. To the extent that the copper price will be increased and substitutes will be used in those few fields in which they are feasible, the pressure in copper demand would be taken off and the use of substitutes would thus become a balancing factor on the price of copper and copper products.

*Stockpiling would be jeopardized by reducing the available supply of copper*

The reimposition of the tax would have no appreciable effect on the amounts of copper available for either commercial imports or for Government stockpiling. Foreign nations, particularly Chile, are badly in need of dollars and will continue to supply the American market with copper in order to gain much-needed foreign exchange.

*The availability of copper for stockpiling would not be reduced by the 2 cents per pound tax. It is argued that the domestic industry is operating at peak peacetime production*

Although it is undoubtedly true that the rate of domestic production is high for normal peacetime conditions, it is also true that large numbers of the independent mines are closed, partly due to the price drop in 1949 following the suspension of the tax until June 30, 1950. The added production that can be brought into play by reopening these properties that have been reluctant to do so because of the uncertainty of the copper market has been estimated at 80,000 to 100,000 tons annually. The reason that these mines have refused to open are that in order to undergo the necessary expenses of reopening, a continued high price for copper would have to be assured.

The reimposition of the 2-cent tax would represent a small factor, but an important factor, in assuring independent miners a return adequate to justify the expense of pumping water out of the mines and of retimbering the properties. As far as a consistently fair return for copper mining can be assured through the operation of the 2-cent tax, new venture capital will go into copper mining, and exploration for new deposits will take place and thus assure the Nation a continued supply of copper. Only a healthy and operating industry can undergo the expense of exploration and development, and the 2-cent tax will to a small degree assure just that.

*New discoveries of ore deposits are not made as fast as the depletion of old ones takes place*

The same answer as above applies, plus the following: Coupled with new exploration and exploitation of deposits, there must be research for new technology which will make the use of low-grade deposits economically feasible. This research requires money and a healthy mining industry.

*Further suspension of copper tax would reduce the price of copper*

Realizing that the 2 cents per pound tax is only a small part of the cost differential between domestic and foreign production, it is clear that the 2 cents per pound tax cannot completely stabilize copper prices. As was pointed out earlier, the domestic price of copper will probably soon approach the world price and just provide a cushion for extreme fluctuations of the domestic price.

*Stockpiling costs would be increased*

This was discussed earlier. Stockpiling can be done without payment of tariffs, and any argument that the security of the Nation would be endangered by this 2 cents per pound tax is dangerous and fallacious.

*In the hearings before the House, Mr. Phelps, vice president of Westinghouse Electric Corp., testified that Chile might reduce her exports to the United States by as much as 15 percent, irrespective of any such replacement of imports by increased domestic production*

What made Mr. Phelps take the figure of 15 percent unless he was informed of such a figure by Chilean interests? Could this be regarded as a form of blackmail?

*Investment in and development of the mining industry is dependent upon long-range price picture, irrespective of tariffs on copper*

It is undeniably true that the development of copper mines and the prospecting in the industry is guided by the prospective price picture. We cannot argue that 2 cents per pound will guarantee the domestic producer a permanently high price. This low tariff will merely represent a small measure of protection. If we use the same factors today as we used in 1932 for the determination of the tariff necessary to compensate for the differences in the cost of production here and abroad, the copper tariff would have to be in the neighborhood of 8 cents per pound, whereas in 1932 it was determined that 4 cents per pound would give domestic production adequate protection. The much more steeply rising costs in this country as compared with foreign production, and the devaluation of foreign currency, has brought about this change in the picture.

Senator MALONE. Mr. Chairman, I have a memo here of the effect of the copper tariff and the actual tariffs on copper products and I ask unanimous permission to insert that in the record.

In talking with various Government agencies I found a general consensus of opinion that the reimposition of the excise tax will be reflected in the prices of semimanufactured goods containing copper. However, on many final copper products the effect will be so small as to be practically negligible, and all press reports that the consumers would "suffer" through higher prices must be regarded as grossly exaggerated.

Here is an example of the incidence of the copper tariff on the retail price of an article such as a compact or a lipstick case made of copper or copper alloys: A compact made of brass weighing 2 ounces and assuming a copper content of 60 percent will contain 1.2 ounces of copper. At the present price of 22 cents per pound for copper the value of the actual copper contained in the compact would be worth approximately 1.65 cents. At a retail price of $1.65 for the compact only 1 percent of the retail price would be in payment for the actual copper used. If the tariff on copper were reimposed, the additional cost of 2 cents per pound for the tariff would represent an additional cost for the compact of 0.15 cents (15/100 of a cent), or approximately 0.001 percent of the retail price of the compact. Even assuming a great deal of waste of copper during the process of manufacture, one could hardly say that the increased cost of copper would be a hardship for the consumer.

In general it must be said that the effect of reimposition of the copper tariff would be least noticeable in those commodities which require a great deal of labor in their production. It is pretty safe to say that the increased cost will be absorbed by the retailer, the jobber or the manufacturer. However, there are other categories of goods which are heavier in weight and in which the actual copper cost represents a higher percentage of the final price. In housing, for instance, a great deal of copper is used for plumbing, heating and other installation. If we assume that 250 pounds of copper are used in a house, the increased tax on copper would amount to $5 per house. If we realize that copper is generally only used to any great extent in houses in higher price brackets ($15,000 on up), the increased copper price will represent 0.033 percent of the total cost of a $15,000 house.

The proponents of the further suspension of the copper tariff argue that any further increase in price may well lead to a further search for and use of substitute for copper. In addition it is feared that any price slump that may occur in the copper industry will have more severe repercussions if the price is artifically hiked through the reimposition of the copper tariff. It is also argued that after the 1949 recession the copper industry is again working at, or near, capacity and that the reimposition of the tariff will not greatly increase domestic production of copper.

During the last few years imports of copper have been necessary and it is considered hardly likely that at present consumption rates the tariff will change that picture significantly.

As it was pointed out earlier, the reimposition of the tariff on copper will have no appreciable effect on the import situation at the present high prices. Should copper prices, however, fall considerably on the world market, domestic copper producers would find themselves producing below the break-even point and copper purchasers would prefer to buy imported copper at lower prices. The 2-cent copper tariff therefore only represents a 2-cent-per-pound margin of safety for the domestic producer. Should world copper prices fall to more than 2 cents below the break-even point of domestic copper mines our copper industries would again largely suspend operations.

It must be realized that domestic copper mines vary in their break-even point and that so-called marginal mines can only operate profitably at a high copper price and those would be the first to suspend operation in the case of a price break. The 2-cent-per-pound tariff would merely represent a 2-cent safety margin protecting the domestic market from excessively competitive imports. In regard to production cost foreign copper is produced at far lower rates than domestic copper and the 2-cent tariff only represents a small part of that difference in cost of production. This is a strong argument for the flexible import fee bill.

In summing up, we may say that any fear of a significant increase in the price of commodities containing copper is without foundation. On the other hand, at the present condition of the domestic economy, it is doubted that the reimposition of the copper tariff will change the copper-supply situation to any great extent It must be added that, in the case of a serious drop in copper price, the 2-cent-per-pound tariff may represent a small measure of protection for the domestic industry, although that amount of tariff is not enough to compensate for the much lower cost of production of imported copper.

It has been found impossible to locate exact figures and examples of the effect of the copper tariff on the retail price of certain commodities. There are thousands and thousands of different products containing copper and it is almost impossible to find out what percentage of copper is contained in the products or in their alloys. It has been found, for instance, that in brass plumbing fixtures alone the percentages of contained copper vary from less than 60 percent to more than 90 percent. In the case of lipsticks, it is very difficult to find out how much of the cost of the lipstick must be apportioned to the case and how much to the actual lipstick, furthermore the case may be made of any number of copper alloys and the actual chemical analysis would be almost impossible to obtain.

## EFFECT OF COPPER TAX

The attached table lists articles which are dutiable under the Tariff Act of 1930, as amended, and which are taxable under the copper import excise tax for the copper contained therein. The tax of 2 cents per pound on the copper contained is levied in addition to the regular tariff. Any articles containing copper which are not provided for in paragraphs 316, 380, 381, 387, 1620, 1634, 1657, 1658, 1659 of the Tariff Act of 1930, are taxable at the rate of 1½ cents per pound of the weight of the article, if copper is the component of chief value. Articles which are not composed of copper as chief value, but which contain 4 percent or more of copper, are taxable, in addition to their regular duty, at the rate of 1½ percent ad valorem, or three-eighths cent per pound, whichever is lower.

In other words, all articles containing copper, specifically provided for in above paragraphs, are taxable for all copper contained. Other articles are taxed depending on whether they are in chief value of copper, or, if not, whether they contain 4 percent or more of copper. In either case, they are taxed, in addition to the normally applicable duty, on the weight of the article and not on the copper contained.

## EFFECT OF COPPER TAX

*Paragraphs 316, 380, 381, 387, 1620, 1634, 1657, 1658, 1659 of the Tariff Act of 1930, of which all products containing copper are separately dutiable under section 3425 of the Internal Revenue Code*

| IRC sec. | Description | Tax rate |
|---|---|---|
| 3425 | Copper-bearing ores and concentrates and articles provided for in paragraph 316, 380, 381, 387, 1620, 1634, 1657, 1658, or 1659 of the Tariff Act of 1930: | |
| | Copper-bearing ores and concentrates | 2 cents per pound on copper content. |
| | If products of Cuba | Free. |
| | Copper sulfate | 2 cents per pound on copper content. |
| | Other | Do. |
| | All articles dutiable under the Tariff Act of 1930, not provided for heretofore in this section, in which copper (including copper in alloys) is the component material of chief value. | 1½ cents per pound. |
| | All articles dutiable under the Tariff Act of 1930, not provided for heretofore in this section, containing 4 percent or more of copper by weight. | 1½ percent ad valorem or ½ cent per pound, whichever is the lower. |

| Tariff Act of 1930, par. | Description | Duty | Plus copper tax of 2 cents per pound |
|---|---|---|---|
| 316 (a) | All wire composed of iron, steel, or other metal, not specially provided for (except gold, silver, platinum, tungsten, or molybdenum) | 15 percent ad valorem | 2 cents per pound tax throughout on copper content. |
| | All flat wires and all steel in strips not thicker than ¼ inch and not exceeding 16 inches in width, whether in long or short lengths, in coils or otherwise, and whether rolled or drawn through dies or rolls, or otherwise produced: | | |
| | Not thicker than 0.01 inch | 7½ percent ad valorem | |
| | Thicker than 0.01 and not thicker than 0.05 inch. | 10 percent ad valorem | |
| | Thicker than 0.05 and not thicker than ¼ inch. | 12½ percent ad valorem | |
| | All wire, iron, steel, or other metal coated by dipping, galvanizing, sherardizing, electrolytic, or any other process with zinc, tin, or other metal: | The rate for the wire of which it is made and 0.1 cent per pound additional. | |
| | Round iron or steel wire, valued at not above 6 cents per pound. | | |
| | Other | The current rate for the wire of which it is made and 0.1 cent per pound additional. | |
| | Telegraph, telephone, and other wires and cables composed of iron, steel, or other metal (except gold, silver, platinum, tungsten, or molybdenum), covered with or composed in part of cotton, jute, silk, enamel, lacquer, rubber, paper, compound, or other material, with or without metal covering. | 17½ percent ad valorem | 2 cents per pound tax throughout on copper content. |
| | Wire rope | 1¼ cents per pound, but not less than 10 percent, nor more than 20 percent ad valorem. | |
| | Wire strand | 17½ percent ad valorem | |
| | Spinning and twisting ring travelers | 35 percent ad valorem | |
| | Wire heddles and healds | 25 cents per 1,000 and 30 percent ad valorem. | |
| 316 (b) | Ingots, shot, bars, sheets, wire, or other forms, not specially provided for, or scrap, containing more than 50 percent of tungsten, tungsten carbide, molybdenum carbide, or combinations thereof: | | |
| | Ingots, shot, bars or scrap | 30 percent ad valorem | |
| | Sheets, wire, or other forms | 40 percent ad valorem | |
| 380 | German silver, or nickel silver, unmanufactured. | 20 percent ad valorem | |
| | Nickel silver sheets, strips, rods, and wire | 30 percent ad valorem | |
| 381 | Copper in rolls, rods, or sheets | 1½ cents per pound | |
| | Copper engravers' plates: | | |
| | Not ground | 3½ cents per pound | |
| | Ground | 5½ cents per pound | |

*Paragraphs 316, 380, 381, 387, 1620, 1634, 1657, 1658, 1659 of the Tariff Act of 1930, of which all products containing copper are separately dutiable under section 3425 of the Internal Revenue Code*—Continued

| Tariff Act of 1930, par. | Description | Duty | Plus copper tax of 2 cents per pound |
|---|---|---|---|
| | Copper tubes: | | |
| | Seamless | 3¼ cents per pound | |
| | Brazed | 5½ cents per pound | |
| | Seamless copper tubing | 3½ cents per pound | |
| | Brass rods, sheet brass, brass plates, bars, and strips. | 2 cents per pound | |
| | Muntz or yellow metal sheets, sheathing, bolts, piston rods, and shafting. | do | |
| | Brass tubes: | | |
| | Seamless | 2 cents per pound | |
| | Brazed | 6 cents per pound | |
| | Seamless brass tubing | 2 cents per pound | |
| | Brass angles and channels | 6 cents per pound | |
| | Bronze rods and sheets | 2 cents per pound | |
| | Bronze tubes | do | 2 cents per pound on copper content throughout. |
| 387 | Phosphor-copper or phosphorus-copper | 3 cents per pound | |
| 1620 | Bells, broken, and bell metal, broken and fit only to be remanufactured. | Free | |
| 1634 | Brass, old brass, clippings from brass or Dutch metal, all the foregoing, fit only for remanufacture. | do | |
| 1657 | Composition metal of which copper is the component material of chief value, not specially provided for. | do | |
| 1658 | Copper ore, regulus of copper, black or coarse copper, cement copper, old copper, fit only for remanufacture, copper scale, clippings from new copper, copper in plates, bars, ingots, or pigs, not manufactured or specially provided for. | do | |
| 1659 | Copper sulfate or blue vitriol, copper acetate and subacetate or verdigris. | do | |

## 70 TO 80 PERCENT OF THE BRASS FABRICATORS' PRODUCTION CONTROLLED

Mr. Chairman, I want to say in closing that 70 to 80 percent of the fabricated brass production in this country is controlled by the three major mining companies, two of which are adamant that the free trade on copper be extended. On these same brass products containing 70 to 80 percent copper, a tariff or import fee of from a 15 to a 65 percent ad valorem is maintained which is necessary to pay American wages in this country and compete with the low-wage-living standards in the competitive country, and to which I, of course, enter no objection. I am for a flexible tariff or import fee to stabilize the price at a competitive level for all products produced in the country.

## QUESTION OF BUYING AT A SLAVE-WAGE LEVEL

In my opinion we should not try to hold the price of the products that this Government buys from foreign nations down to a slave-wage level. In my opinion we would have much better diplomatic relations, much better international relations, if we paid a price for these products that would allow them to pay their labor eventually on a scale comparable to our own instead of putting us in competition with this labor and insisting that we either put our men on relief or force them to work for a lower wage in this country.

And that goes for all the industries that I mentioned, Mr. Chairman, not only copper, because copper is merely a symbol—the tariff or a subsidy is the alternative to putting our own men on relief, taking the subsidy money, the relief money, out of the Treasury. Let us have an import fee system to equalize the price differential so they can raise the wage-living standards of their workers to our standard, to the extent that we purchase abroad. A good example is the situation in Chile, where copper producers get only 19.37 pesos for each United States dollar earned, compared with a free market value of 90 pesos for the dollar. No wonder that wages in Chile are so low, when the Government retains most of the foreign exchange earnings.

Mr. Chairman, paying a price to foreign nations comparable to our own standard would be a very much improved method over the one we are using now which is a continual threat of removing what little floor under wages and investments exists.

Whenever the wage-living standards reached the American level, no tariff or import fee would be necessary.

## THE PURPOSE OF A TARIFF OR IMPORT FEE

The purpose of a tariff or import fee is a floor under wages and investments.

It means that regardless of the fluctuations in price there is a stabilized level below which it should not go, providing such tariff or import fee correctly represents that differential of cost between this Nation and the competitive countries mostly represented by the difference in the wage-living standards.

Whether the domestic production is 60 percent or 100 percent of the domestic consumption, the principle is the same, providing the tariff is based on the principle of "fair and reasonable" competition. A market then is established for foreign nations' goods on the same basis as for the domestic producer - but not at an advantage.

It simply supports the economic structure of our own country on the wage-living standards established by its own citizens. The principle, of course, should be applied to all products and all industries.

My flexible import fee bill, S. 1965, now in the Senate Finance Committee, this very committee, provides that the long-experienced Tariff Commission would be turned into the Foreign Trade Authority, since this more nearly represents its work; and that Authority would have the same latitude in the field of adjusting the tariffs and import fees on a basis of "fair and reasonable" competition as the Interstate Commerce Commission was given the responsibility of fixing the freight rates for the carriers on the basis of a "reasonable return" on the investment.

## THE "PERIL POINT" VERSUS THE FLEXIBLE IMPORT FEE

The much discussed peril point would simply require the President to write Congress a letter in case the State Department lowered the tariff or import fee on any United States product below the Tariff Commission's estimate of the point of injury to domestic producers while the flexible import fee is established on principle. If we accept any provision of that nature we are then on record for the principle set out in the 1934 Trade Agreements Act, as extended, with the exercise of the President's judgment as it benefits abroad, overcoming the damage to industry in this country—and he is already on record that sacrificing an industry here is no reason to stop the indiscriminate handling of our own tariffs and import fees to provide additional imports into this country.

NO CONSIDERATION OF A HIGH OR LOW TARIFF

There would be no consideration of a high or low tariff or import fee, but the flexible import fee would at all times be adjusted to the differential of cost due mostly to the difference in the wage-living standards.

The tariff or import fee would be lowered as the foreign nations' living standards were raised, and when such standards approximated our own then the common objective of free and unrestricted trade would be the almost immediate and automatic result.

The tariff or import tax on copper has, unfortunately, been lowered from 4 to 2 cents, which is woefully inadequate, but nevertheless through its permanent restoration, the principle is established and venture capital and the workers in the industry would regain confidence that Congress is again operating upon a principle and not sharpshooting.

I want to thank the chairman and the committee for their kind attention, and I want to say if this comes to the floor I intend to debate it at some considerable length. I think it is time that the people of this country woke up, and I think they are waking up now. I have wires and resolutions from labor organizations, and I would ask permission to include those resolutions and wires that I have in my office, which are relatively few in number, in the record, Mr. Chairman.

The CHAIRMAN. That may be done.

NOVEMBER 15, 1949.

DOMESTIC AND FOREIGN POLICY RESOLUTION, NEVADA REPUBLICAN STATE EXECUTIVE COMMITTEE, 1950 AND 1952 PLATFORM

The Nevada State Executive Committee passed an official resolution on November 15, 1949, offering the flexible import fee principle as a substitute for the 1934 Trade Agreements Act as amended—and called for the defeat of the International Trade Organization legislation—and for definite conditions on further gift-loans to Europe.

RESOLUTION

Whereas the selective free-trade policy adopted by the State Department, based upon the Trade Agreements Act, is removing the floor from under wages and investments—causing unemployment and loss of taxable property; and

Whereas the proposed International Trade Organization, consisting of 58 nations, each with one vote, to which it is suggested that this Nation assign all of its right to adjust tariffs and import fees for the protection of the workingmen and investments in the United States of America, would complete the job of wrecking our economy; and

Whereas the policy of making up the trade balance deficits of the European nations (16 ECA nations) in cash each year without definite conditions for its utilization is simply reestablishing the century-old feud and rivalries among such nations: Therefore be it

*Resolved*, That the Republican State Executive Committee of Nevada hereby adopts and recommends to the National Republican Committee for adoption an American domestic and foreign policy:

1. A domestic (national) policy.

A. The flexible import fee principle, based upon "fair and reasonable" competition, administered by a reorganized experienced tariff commission, to be known as the Foreign Trade Authority, in the same manner as the long-established Interstate Commerce Commission adjusts freight rates for the carriers on a basis of the principle laid down by Congress, of a "reasonable return" on the investments, to be substituted for the 1934 Trade Agreements Act, as extended.

Under the flexible import fee principle a market is immediately established for the goods of foreign nations on a basis of "fair and reasonable" competition with our own—they cannot in good conscience ask for more.

2. A foreign (international) policy—as a condition of further aid to Europe.

A. Integrity of private investments.

B. A United States of Europe—including Germany without trade barriers of any kind.

C. Free convertibility of the European currencies in the terms of the dollar.

D. Equal access to the trade of the nations of the world; subject only to the action of such individual nations.

Be it further

*Resolved*, That the so-called bipartisan policy, including the support of the administration's three-part free-trade program has destroyed our traditional floor-under-wages policy and has contributed materially to the defeat of the Republican Party; and

That the haphazard lowering of the import fees and tariffs, without regard to the differential of the cost of production due largely to the difference in living standards of this country and the foreign competitive nations, has severely injured the mining, petroleum, agricultural, textiles, pottery, lumber, precision instruments, and many other industries, thereby causing unusual unemployment and loss of taxable property; and

That we are, by our own actions, removing the floor under wages and investments in this Nation and in effect transferring American jobs to foreign soil.

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[Excerpt from resolutions adopted at the thirtieth annual meeting of the Nevada State Farm Bureau, Ely, Nev., December 2, 1949]

RESOLUTION NO. 17. DOMESTIC AND FOREIGN POLICY

Whereas, the selective free-trade policy adopted by the State Department, based upon the Trade Agreements Act of 1934, is lowering the American living standards through the lowering of wages and is causing unemployment and a subsequent decline in the demand for agricultural products; Therefore, be it

*Resolved*, That the Nevada State Farm Bureau adopts and recommends that the American Farm Bureau Federation support a domestic and foreign policy containing the following features:

I. Foreign policy: (*a*) Protection of private investments in foreign countries; (*b*) Free convertibility of European currencies in terms of dollars; (*c*) Consolidation of the European nations into a United States of Europe, and the erasing of all present trade barriers; (*d*) Equal access to the trade of all nations of the world subject only to the action of the individual nations.

II. National policy (*a*) Set up a flexible import fee which would be based upon "fair and reasonable" competition administered by a reorganized, experienced tariff commission in the same manner as the long-established Interstate Commerce Commission adjusts freight rates for the carriers on a basis of the principle laid down by Congress, of a reasonable return on the investment. Under a flexible import fee principle, a market is immediately established for the goods of foreign nations on a basis of "fair and reasonable" competition with our own—other nations in good conscience cannot ask for more. By so doing, America's domestic agricultural market would be greatly stabilized and cease to be a dumping ground for world surpluses. We are a land of agricultural abundance striving to maintain a standard of living unparalled by any other nation in the world: Be it further

*Resolved*, That the lowering of import fees and tariffs without regard to the differential of the cost of production due largely to the difference in living standards of this Nation and of foreign competitive nations has a demoralizing effect on our agricultural markets as well as those of other industries, thereby causing unemployment and loss of revenue to the American farm.

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PIOCHE, NEV., *January 17, 1950.*

Senator G. W. MALONE,
*Senate Office Building.*

DEAR SIR: By unanimous vote Pioche Union Local No. 407 CIO disapprove part 4 plan of the President which includes the International Trade Organization agreement and urge that you do everything possible to substitute flexible import fee as outlined in your talk at Pioche, Nev., on December 15, 1949.

Yours truly,

THOMAS L. HUTCHINGS,
*President Local No. 407.*

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EAST ELY, NEV., *January 19, 1950.*

Senator MALONE,
*United States Senate Office Building:*

We call your attention to the following resolution adopted by the White Pine County Central Labor Council.

Whereas the selective "Free trade" policy is removing the floor from under American wages and investments, causing unemployment and loss of taxable property, and

Whereas the haphazard lowering of the import fees and tariffs without regard to the differential of the cost of production due largely to the difference in living standards of this country and foreign competitive nations, has severely injured the nonferrous mining industry: Therefore be it

*Resolved*, That a telegram be sent to each of our national Senators asking them to do what they can toward correcting this deplorable situation.

DOUG HAWKINS,
*President White Pine County Central Labor Council.*

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INTERNATIONAL ASSOCIATION OF MACHINISTS, LOCAL LODGE NO. 705, SPARKS, NEV. LEGISLATIVE COMMITTEE

RENO, NEV., *September 16, 1949.*

Re: Flexible Import Fee.

The Honorable GEORGE W. MALONE,
*United States Senator,*
*United States Senate, Washington, D. C.*

SIR: The legislative committee of Local Lodge No. 705 International Association of Machinists, Sparks, Nev., reported favorably on the matter of the flexible import fee. Whereupon the membership unanimously instructed the legislative committee to inform you that Local Lodge No. 705, International Association of Machinists, Sparks, Nev., has gone on record in favor of the flexible import fee.

The legislative committee wishes to commend the Senator for his hard work and initiative.

Yours truly,

SATIRIOS SOUKAROS, *Chairman,*
GEORGE H. SHELTON,
JOHN L. ROBERTSON,
*Legislative Committee.*

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LAS VEGAS, NEV., *January 18, 1950.*

United States Senator GEORGE W. MALONE,
*Washington, D. C.*

We urge you to support a flexible import and export tariff bill for protection of our domestic industries and curtailment of foreign spending.

PROPERTY OWNERS ASSOCIATION, INC., OF CLARK COUNTY, NEV.
HELEN E. CRANER, *Secretary.*

Senator MALONE. There never was a consistent "free trader"—in general you will find that they want "free trade" on the material which they must buy—and a tariff or import fee on the products that they must sell. Thus there is a continual clash between industries, both of which must have the protection on the basis of "fair and reasonable" competition to pay American wages and stay in business.

A shining example is the brass fabricating industry, largely fronting for the owners of the foreign copper deposits, asking for "free trade" on copper—which makes up 70 to 90 percent of their raw material—

while demanding a tariff or import fee of from 15 to 65 percent ad valorem on the brass fabricated products to meet the American wage-standard of living. The three large copper producers own or control 75 to 80 percent of the brass fabricators in terms of output.

The workingmen and investors of this country, will take things into their own hands when they finally realize that what we are doing is putting them in direct competition with the $2 labor, the $1-a-day labor, and the sweatshop labor of Europe, Asia, and Africa and other places. We can, however, protect our workers and investors if we take the differential of living standards into consideration through the tariff or import fee.

The CHAIRMAN. Thank you very much, Senator.

Senator MALONE. Thank you.

## STATEMENT OF HON. CARL HAYDEN, UNITED STATES SENATOR FROM THE STATE OF ARIZONA

Senator HAYDEN. I appear in opposition to House Joint Resolution 502, which passed the House on July 17, to suspend certain import taxes on copper until June 30, 1951.

The import tax on copper was enacted first in 1932 when domestic copper mines were threatened by a flood of foreign copper, produced at low cost from sources that recently had been developed chiefly in Rhodesia, Chile, and Canada. There was taken to those foreign countries the American know-how of copper mining developed over a long period of years, and it was applied there in a modern way so that copper could be produced very cheaply. The matter was thoroughly investigated by the United States Tariff Commission to determine the difference between the cost of production at home and abroad. Congress acted on the basis of the Commission's findings at that time that 4 cents would fairly equalize such costs. At this time, it would take at least 8 cents to accomplish the same purpose.

Under the terms of the General Agreement on Tariffs made at Geneva in 1947, the copper import tax was reduced to 2 cents a pound. Accordingly, only 2 cents is now at issue.

Today the potential excess production of foreign mines, the identical mines whose development warranted the original enactment, is greater than ever, totaling more than 600,000 tons annually. The excess is one-fourth of the normal world demand. Today the reasons for import duties are as valid and as cogent as they were in 1932. It is clear, therefore, that the 2-cent rate is exceedingly modest.

The exclusion of copper from the duty-protected group of metals cannot be justified on any ground. Lead, zinc, mercury, aluminum, nickel, and half a dozen other nonferrous metals enjoy protective duties. Imports of every one of those metals are larger, as compared to the domestic consumption than those of copper. The rates of duty in general are comparable on an ad valorem basis with the 2-cent rate for copper. The copper producer's need for protection is as great as that of producers of other metals. His claim is as valid. If the duty on copper is to be removed for any sound reason, the same reasoning would apply to lead, zinc, mercury, nickel, and all the other metals. Congress should treat them all alike.

On the other hand, the mere fact that Congress recognizes copper as a metal that merits modest protection will give tremendous encouragement and stimulation to an industry that is vital to the national welfare. Only if a favorable economic climate exists will the industry feel the incentive and find the venture capital necessary to finance the exploration, development and constant expansion that are needed not only to supply our peacetime economy but to provide for national security.

The thing that our domestic copper industry dreads most is a repetition of the experience that occurred in the spring and summer of 1949. Immediately after the action of Congress in extending the suspension of the duty in March 1950, the market collapsed. The demand for newly mined copper shrank to less than one-third of what it had been. From 112,300 tons in March it dropped to 32,500 tons in May. The market price of the product declined from 23.37½ cents to 16 cents in 3 months. That was a 7.37½ cents a pound decline. The result was curtailment and shut-down in 10 different States. Unemployment mounted; business in the mining communities stagnated; hardship and suffering were widespread. All of this reacted on the prosperity of the surrounding regions.

In my own State, the wages paid in the copper mines and smelters in 1949 for the first quarter amounted to $11,966,000, or not quite $12,000,000. In the second quarter wage payments dropped nearly $2,000,000 to $10,045,000. In the third quarter to $8,997,000. In the fourth quarter there was a pick-up. Wage payments improved some what to $9,602,000. The total wages paid in the copper mining industry in Arizona in 1949 were $40,612,000. If the normal rate had continued throughout the year it would have been close to $47,000,000. In other words, over $7,000,000 of purchasing power was lost in my State. That was the $7,000,000 at the top and what was left was needed to support the miners and their families. That top $7,000,000 was the money which would have been used to buy automobiles, to buy radios, to buy washing machines for the wives. Copper miners buy everything that is advertised in the Saturday Evening Post or anywhere else in America, if they have the money. It is the purchasing power of their wages that does it. When a mining industry is paralyzed, as happened in 1949, commerce of the entire Nation is injured.

It is significant that during this period of forced domestic retrenchment, foreign copper continued to flow into this country without abatement. The sufferers were the American miners. Fortunately, matters took a turn for the better toward the close of the year. Had they not done so, some mines would have been abandoned, never to reopen. Large quantities of metal would have been lost forever.

If for no other reason than the national security, the public interest requires the existence of a thriving, active, expanding copper mining industry. Only such an industry can contribute its necessary share to the supply of copper.

Some, but not all, of the fabricators of copper products express a fear that the import tax would prevent them from obtaining needed metal, or that if they get it from foreign producers they will be obliged to absorb the duty, by which they mean that they will have to pay the 2-cent tax in addition to the going or domestic price. These fears have no foundation in fact. For many years both lead and zinc have been subject to an import tax, but it can be stated unequivocally that no manufacturer of lead and zinc products has ever been obliged to pay more than the going domestic price for foreign metal, nor has he ever failed to get all the metal as he needed it.

The market for copper is free. Every pound of newly mined metal competes with every other pound. Two different market prices do not exist at the same time. A foreign producer can no more tack on the duty to the going price than he could tack on the cost of milling his ore or any other phase of the process of producing copper and delivering it to the plant of the fabricator. The condition of the market, the relation of supply to demand, and not the import tax, dictates the price that the producer, foreign and domestic, can obtain for his copper.

Proponents of the recent suspension of the import tax make much of the claim that an import duty is reflected in the price of the manufactured article that the consumer buys. This claim is based on the assumption that the duty will create a constant differential of 2 cents a pound between the domestic and the foreign price. Experience shows that this assumption is entirely wrong. The 4-cent duty was in effect during the peacetime years in the 1930's. Careful examination of the market records of that period show that at no time did the differential between the foreign and domestic prices come close to 4 cents.

I have the record here for the different years. In 1932 the difference in the market price was less than a quarter of a cent. In 1933 it was less than a third of a cent. In 1934, the highest differential was 1.15 cents and the 4-cent duty was in force at that time. In 1935 it was 1.11 cents. In 1936 it was less than a quarter of a cent. In 1937 it was 1.49 cents. In 1938 it was less than a third of a cent. In 1939 less than a quarter of a cent. In 1940, just a little over half a cent. That is the way that the 4-cent import tax actually operated.

Senator TAFT. Was not the American production all through the thirties sufficient to take care of the American demand?

Senator HAYDEN. No; not altogether. It is true it was nearer to the demand than later, but there were substantial imports in all those years, Senator.

Senator TAFT. I think the effect of the tariff is to raise the price at home if you have not enough to supply your home product. I do not know that it makes any difference. I do not think that is an argument against it as far as I am concerned, but it does seem to me the inevitable effect of the tariff where the home production is not sufficient to meet the demand would be to raise the general price by the amount of the tariff.

Senator HAYDEN. The 4-cent rate and the 2-cent rate merely had the effect that the purchasers of copper for domestic use first looked to American rather than to foreign sources of supply.

Senator TAFT. As long as your domestic production is big enough I do not think the tariff necessarily has an effect.

Senator HAYDEN. Competent and experienced students of the metal markets assure me that, in their judgment, the differential between the foreign and domestic prices, with a 2-cent duty in effect, will be less, on the average, than a cent a pound.

Those who object to the 2-cent duty insist on including the tonnage of copper acquired for the Government's stockpile in their figures for domestic consumption. There can be no possible justification for this procedure for the one simple reason, as this committee is well aware, that if circumstances arose which made it expedient to import copper for stockpiling or for munitions, the Federal Government, if it paid any import duty at all, would pay it to itself. The law and existing Executive orders exempt the Government or its agencies from the payment of import taxes. That will be true of all war purchases, if we get into a real war.

Senator CONNALLY. If this will not increase the price, why do you want it?

Senator HAYDEN. The import tax on copper is simply a stabilizing influence. That is all it ever has been. It is not a high protective tariff, and not a prohibitive tariff. All we now ask is that those who go into the American market to buy copper will look at the American copper production first, and we do not ask them to pay an unreasonable price for that privilege.

The opponents of the duty have strongly intimated that the reinstatement of the tax would increase the danger of the spread of communism among Chilean workers in the copper mines of that country. The idea seems to be that the economic status of the workers would suffer, and this might drive them toward communism. Without conceding that the reinstatement of the tax would have any such result, the following peculiar situation may be pointed out. This information was supplied to me by the United States Bureau of Labor Statistics in a communication dated May 29, 1950:

At the three large Chilean copper mines the total labor cost per 8-hour day for mine workers ranges up to 225 pesos. This includes the money payments to the worker and in addition the substantial cost of various items such as camp maintenance and company-store losses. Under a peculiar multiple system of exchange rates, the American-owned copper companies by Government decree are compelled to purchase Chilean pesos for their payroll and other local production costs at the rate of 19.37 to the American dollar. Consequently, the cost to the companies per 8-hour worker shift ranges from about \$8.15 up to \$11.25. At the same time, the standard rate of exchange for the Chilean peso is 60 Chilean pesos for one American dollar. In May 1950 the free rate was 98 pesos. Consequently, the pesos received by the wage earner have a value to him of not more than 60 to 90 to the dollar. Accordingly, he received an equivalent of an amount up to about \$3.75 in American dollars per shift, including social benefits that he gets over and above this money wage.

The difference between the cost in dollars to the American copper-mining companies of up to \$11.25 and the payment to the Chilean wage worker in dollar equivalent of \$3.75 is in effect a payroll tax enacted by the Chilean Government. Accordingly, if that Government found it expedient, it could, by a simple readjustment of exchange rates, instantly improve the status of the worker without impairing the competitive position of the Chilean copper producers in the world market. Should any drift toward communism as a result of the dissatisfaction among the mine workers become apparent, the Government would have the best possible remedy at hand. It needs only to cut down its own overgenerous take and share it with wage earners.

We have said over and over again that whenever the American-owned copper companies in Chile or elsewhere in the world will pay the same wage rates as are paid in Butte, Mont., or Bisbee, Ariz., we will no longer talk about a tariff. But they do not pay such wages.

The Chilean worker is paid at a higher rate than in the copper mines in Africa which makes competition from that source even keener.

The exchange system in Chile makes it so that the copper-mining companies can say "Our labor costs are high," and it looks like they are somewhere around the American labor costs, but the laboring man in Chile, if he received the $11 a day, would be in the market to buy American products just the same as an American miner. He would be very glad to have a radio or automobile or refrigerator. But the Chilean Government takes the money. He is poorly paid and at the same time the American mining companies can show high labor costs. This is due entirely to the rate at which they buy the Chilean pesos to meet their payrolls.

Those who favor further suspension of the import tax have, by full-page advertisements and other means of publicity, predicted dire results in this country should the 2-cent duty be restored. It is interesting to note that the import tax has actually been in effect since July 1 and in spite of this none of the evil results predicted have transpired. The price of copper has not increased in the last 30 days by 2 cents per pound, but on the contrary has actually decreased in many parts of the United States. The Kennecott Copper Co. has advised the trade that it will sell copper anywhere in the United States at the Connecticut Valley price. It was previously the Connecticut Valley price plus the freight rate. So that, anywhere else in the United States, copper is now cheaper than it was before the 1st of July.

My honest judgment is that this bill should not be passed, that the situation should be left just as it is. Its passage is not essential to the national defense, as has been well pointed out. A suspension of the 2 cents duty can have no appreciable effect upon the imports of copper at this time because we will need a lot of it anyhow for the national defense. This import tax has not resulted in the predicted increase in the price of copper, and will not be the basic reason for any future increase.

I thank you.

The CHAIRMAN. Thank you very much, Senator Hayden.

Senator MALONE. I would also ask permission since you have allowed me to testify from notes permission to complete and rearrange my testimony.

The CHAIRMAN. You may do so.

## STATEMENT OF HON. ERNEST W. McFARLAND, UNITED STATES SENATOR FROM THE STATE OF ARIZONA

Senator MCFARLAND. Mr. Chairman, I do not want to make a long statement. I think the field has been very well covered by Senator Malone and my colleague, Senator Hayden. I do want to register my protest to an extension of the repeal of the excise tax on copper.

I want, Mr. Chairman, first to file with the committee copies of a brief prepared by Mr. A. B. Parsons, who is an economist and an expert on this subject, in behalf of the Bagdad Copper Co., of Arizona; Calumet and Hecla Consolidated Copper Co., of Michigan; Castle Dome Copper Co., of Arizona; Consolidated Coppermines Corp., of Nevada; Copper Canyon Mining Co. of Nevada; Copper Range Co., of Michigan; Magma Copper Co., of Arizona; Miami Copper Co., of

Arizona; North Carolina Exploration Co., of North Carolina; Phelps Dodge Corp., of Arizona, New Mexico, Texas, and New York; Quincy Mining Co., of Michigan; San Manuel Copper Corp., of Arizona; Tennessee Copper Co., of Tennessee; and the Vermont Copper Co., of Vermont.

The CHAIRMAN. Were those statements put in the House hearing?

Senator MCFARLAND. I do not know whether they were or not. I will file a sufficient number of statements with the committee.

The CHAIRMAN. You may file them with the committee. If they are in the House hearings, Senator McFarland, it would not be necessary to reprint them.

Senator MCFARLAND. That is all right, Mr. Chairman. Whatever the committee wants to do with regard to that, that is all right. I would like to file with you the statement of Mr. A. B. Parsons in behalf of the United States copper producers which is an analysis and a brief description of this document.

I would like, also, Mr. Chairman, to file copies of a statement by Mr. Charles F. Willis, secretary of the Arizona Small Mine Operators Association, of Phoenix, Ariz., with the committee. His statement is slightly changed from that one which was filed in the House.

(The documents referred to are as follows:)

STATEMENT OF A. B. PARSONS IN BEHALF OF UNITED STATES COPPER PRODUCERS

My name is A. B. Parsons. I am a mining engineer and mineral economist residing in Oakland, Calif. The companies for whom I am appearing are listed on page 1 of the printed statement that you have before you. You will see that there are 14 of them and that they operate in nine different States, spread from Vermont to Arizona. The only important copper-mining companies, controlled in the United States, that are not included in this group are several that have large financial interests in copper mines situated in foreign countries. The absence of these companies is logical; but highly significant. When all, or a preponderant part, of a company's mining interests lie abroad, its position on a tariff cannot coincide with that of the purely domestic copper producers. This, in no sense, reflects on the patriotism of the officials of the company. They are simply—and properly—looking out for the interest of their shareholders.

The 14 companies vigorously oppose the resuspension of the import tax on foreign copper. The statement is filed by them in behalf of the wage earners in their employ; in behalf of the communities dependent upon their operations; and in behalf of all the people of the United States, whose security as a nation is dependent in large measure on a healthy and expanding domestic copper-producing industry, as was shown conclusively in World War II.

The question before you is this: On balance will the public interest be best served by again suspending the import duty of 2 cents per pound on copper from foreign mines?

One of the difficulties of resolving a problem of this kind is that you are likely to become mired in statistics. The statement contains a great many figures, but in my comment I propose to use statictics sparingly. However, in a moment I will show you a very simple chart that I think presents the crux of the problem before you.

The statement makes seven main points, and I would like to review each briefly:

*Point 1. The import tax on copper is the tested and established policy of the United States*

Here is a little history: Up until 1929, the mines of United States, year after year, produced enough copper to ship some abroad. With an exportable surplus the tariff question never arose—because a tariff would mean nothing.

Then something happened—a thing that could happen in no industry other than that of mining virgin metal. There loomed in the skies of the copper-mining world three things:

(1) The exploitation of remarkably large and rich new copper deposits in Rhodesia—a country with extremely low wage scales and low standards of living for its workers.

(2) Expansion in the output of large low-cost producers in Chile—another country in which the wage scales and living standards are low in comparison with those of the United States.

(3) Expansion of production of copper from ores rich in other valuable metals (which meant low-cost copper) in Canada.

Beginning in 1930, low-cost foreign copper flooded the domestic market. The industry was almost paralyzed, and widespread distress ruled in the mining districts. With wisdom—and, indeed, without serious opposition—Congress in 1932 established a duty on copper amounting to 4 cents per pound. As you know, in line with the reciprocal trade policy, this has been reduced to 2 cents—and 2 cents, not 4 cents, is the figure you are considering today. The import tax was designed to offset, in some degree, the advantages enjoyed by the foreign companies—rich ores and low wage scales; and, to equalize, to some extent, relative production costs. That is a primary purpose of any protective tariff.

All of the things foreseen for Canada, Chile, and Rhodesia materialized exactly on schedule. Low costs, resulting from low wages and rich ores, exist today. The reasons for the import tax on copper mined abroad are as sound and as cogent today as they were in 1932.

As you know, we have duties on imports of lead, of zinc, of nickel, of aluminum, of quicksilver, and of numerous minor metals. We regularly import large quantities of each of these metals. Some opponents of the copper tariff base their objection on the claim that domestic mines cannot supply the domestic market. Even if this were true (and the statement presents evidence to the contrary), the argument would apply with much greater force to each and every one of the metals listed. Action on your part now to enact a law to suspend again the tax on copper strikes the copper producer as being grossly discriminating against him. His need is as great; his claim is as valid. He is at a loss to understand why copper, among all the vital nonferrous metals, should be singled out as a sort of stepchild.

*Point 2. The abnormal condition that warranted the suspension of the tax has been corrected*

The import tax was suspended in 1947 and again in 1949. However, in both years the situation was recognized by everyone as being abnormal and temporary. During World War II it had been necessary for the Government to restrict drastically the use of copper for nonessential peacetime purposes. A huge pyramided deficit in civilian supply was created, and the liquidation of this deficit warranted the temporary suspension of the duty. It is apparent, however, that we are now approaching the time when that liquidation will have been accomplished. Two facts are noted on page 3 of the statement, as follows:

(A) The aggregate tonnage of copper diverted to war requirements, and withheld from normal uses, is susceptible of measurement by computations based on official records of the War Production Board. Authentic figures show that this war-created civilian deficit had been reduced to 150,000 tons at the end of April 1950 and that it is now almost extinguished.

(B) Statistics of fabricators' backlog of unfilled orders from 1946 through 1949 fortify the conclusion that the period of extraordinary demand is coming to a close.

*Point 3. Despite the extreme tightness of the domestic market at the moment, producers in the United States will soon be able to meet the domestic commercial demand*

It is perfectly evident that at the moment the domestic market is extremely tight. Deliveries to consumers have been large, and stocks in the hands of producers are low. However, anyone familiar with the copper market in this country knows that the situation can change almost overnight. The gyrations of the copper market are the despair of both theoretical and practical economists. When the price trend is up, fabricators, jobbers, and wholesalers of copper products—consumers, from telephone companies and big electrical manufacturers down to the retail hardware store, display an insatiable hunger for the metal. When the price trend is down, no one seems to need or want any copper. For example, in May of 1949, deliveries for domestic consumption shrank to 32,566 tons from 112,325 tons in March and 6 months later they climbed to 116,024 tons. No one believes that such erratic figures represented the actual consumption during a period of sustained industrial activity.

I am convinced that the present market position is no less abnormal than that prevailing during the second and third quarters of 1949. I think it is artificial and deceptive. It certainly does not reflect genuine current domestic consumption of newly mined copper for purposes other than the Government stockpile and exports. The requirements of the stockpile cannot be a basis for urging the continued suspension of the tariff; because stockpile needs, if they cannot be met by domestic mines, can be satisfied by copper from abroad, on which the Government would pay the import tax to itself. In a word, there is absolutely no justification for adding stockpile tonnages to ordinary domestic consumption for the purpose of arguing that domestic production will be inadequate.

On the basis of computations detailed in exhibit B and summarized on page 14 of the statement, the normal peacetime requirements of newly mined copper should not exceed 75,000 tons per month, or 900,000 tons per year. As will appear presently, this is easily within the capacity of the domestic mines—indeed, they produced at this rate in June of this year. The point I want to make is that for you to try to base legislation on the short-term behavior of the copper market is not realistic. One must look at the long-term position.

Parenthetically it may be observed that if the war in Korea is merely a passing episode, the copper used in it has long since been mined, smelted, and refined. If the Korean war becomes world war III, the governments concerned will commandeer every pound of copper. They will allocate it and they will fix the price; and the tariff, on the books or off, will not make the slightest difference. In my opinion, the Korean war has no bearing whatever on the proposed resuspension of the import duty on copper. It will be a dead letter just as was the 4-cent tariff in effect during World War II.

*Point 4. World has productive capacity one-fourth greater than maximum expectable world demand; nearly all of the excess is at foreign mines; and most of it is low-cost production*

A painstaking study has shown that the potential equipped capacity of the copper mines of the world exceeds the expectable annual peacetime requirements for newly mined copper by at least 640,000 tons. In other words, for every 4 tons required, more than 5 tons could be produced. This is by far the most significant fact in the copper business today. The data are shown below; and they appear graphically on the chart, on page 53 of the statement. This is the vital chart that I promised to show you at the start.

*Newly mined copper only (annual basis)*

[Short tons]

| | United States America | Foreign [1] | Total |
|---|---|---|---|
| 1. Potential capacity at cost under 16 cents per pound [2] | 680,000 | 1,651,000 | 2,331,000 |
| 2. Potential capacity at cost above 16 cents per pound [2] | 256,500 | 268,600 | 525,100 |
| 3. Total potential capacity | 936,500 | 1,919,600 | 2,856,100 |
| 4. Total expectable demand | 900,000 | 1,310,000 | 2,210,000 |
| 5. Excess capacity over demand | 36,500 | 609,600 | 646,100 |

[1] Throughout this statement no eaccount is taken of Russian production.
[2] Includes all expenditures except incomes taxes and interest.

The potential productive capacities of the companies specifically listed are based primarily on past performance as reported by the American Bureau of Metal Statistics. The allocation of the properties to the low-cost and high-cost categories is based on the published reports of the respective companies and a study of the financial and operating history of the companies. The determination of the expectable demand necessarily involves some conjecture. The charts on pages 54 and 55 of the statement, showing the trend of consumption since 1921, constitute basic material for the estimates.

One reason why the needs for newly mined copper are not as great as some opponents of a tariff contend is based on an almost unique characteristic of the metal—its comparative indestructibility. Coal and oil are burned and consumed forever. A great deal of iron is lost through rust and corrosion. Lead, when made into paint pigments, is gone forever; and zinc, used for galvanizing, is seldom recovered.

Copper is different. From practically all its major uses it is recoverable; and its unit value is high enough to warrant thorough-going salvaging. When a building is torn down, when an automobile is junked, when a power line is replaced, or when obsolete machinery is retired, the copper is recovered and enters a huge reservoir of copper from which industry obtains its current supply. The same pound of copper goes through a cycle of use and reuse, time and time again. It is only necessary to inject into this reservoir enough newly mined copper each year to keep the level at a workable height.

But, even if events prove the estimates of productive capacity and expectable demand to be in error, the range of reasonable variation is not sufficiently large to alter the broad picture to a substantial degree.

You will note that practically all of the excess is at foreign mines; and that most of it is "low-cost" production. You recall that it amounts to 640,000 tons per year.

Parenthetically, it is pertinent to emphasize at this point that the copper market is world-wide for the reasons that the metal is produced in many countries; is used in many; is standard as to quality; and is of sufficient per-pound value to bear transportation costs anywhere in the world. Accordingly, subject to minor exceptions, all copper competes with all other copper. To illustrate the significance of this fact: Opponents of a tax declare that no Rhodesian copper comes to the United States for domestic consumption. Notwithstanding this, all Rhodesian copper is a potential competitior in our domestic market; and consequently it plays an important role in determining the world supply and the market price.

*Point 5. A large segment of the domestic copper-mining industry is threatened by potential foreign imports*

Now what is the meaning of this huge potential supply of low-cost foreign copper? Clearly, it will be impossible for every company to produce at full blast. Some will not operate at all; and some will operate at reduced capacity—because mining companies do not long continue to produce what they cannot sell. The predicament of the domestic producer with relatively high costs stands out with monumental clarity. The potential results are shown in a second chart (which, by the way, does not appear in the printed statement). This chart was not prepared in a spirit of levity; but merely to show graphically the precarious position of the higher-cost domestic producer.

It is not contended that the modest import duty of 2 cents per pound will make good mines out of bad ones; or that it will work other miracles. It is contended that the tax will ameliorate the damage that threatens a large segment of the domestic industry. The mere fact that you were to recognize copper as a metal (like lead, zinc, aluminum, nickel, mercury, etc.) that merits protection, by permitting this small import tax to continue in force, would be a tremendous encouragement to an important part of a vital industry.

Before proceeding to the next point, I want to mention two matters relating to costs of production. Obviously, an important element in the low costs, enjoyed by most of the large foreign producers, is the relatively low wage-scales and living standards that prevail among their workers. On pages 18 to 20 of the statement is a discussion of this matter. Authoritative and significant data are not easy to obtain; but the best available sources have been used and cited. The evidence clearly indicates that the earnings of the American workmen range from 1½ times (in the case of Canada) to approximately 15 times (in the case of Peru and Bolivia) those of foreign workmen. In intermediate positions are workers in the Belgian Congo, Rhodesia, Chile, and Mexico.

As to the Republic of Chile, an abnormal situation prevails, arising from a "multiple" system of exchange-rates. The "principal mineral companies" (a euphemism for the three big copper mines in Chile) are obliged, by Government decree, to purchase pesos for their payrolls and other "local production costs" at the rate of 19.47 to the dollar (United States). The standard rate, at the same time, is 60 pesos to the dollar; and this applies to the bulk of the money transactions in which the workers are involved.

The effect of this arrangement is to exact from the company a sort of payroll tax equal to twice the amount received by the worker in the form of wages. Accordingly, the labor cost, as distinguished from the wage scale (and the standard of living that it will sustain), is relatively high at the moment. However, two significant things may be noted:

(1) If the Chilean Government, for any reason, found it expedient to improve the competitive position of the output of the big copper producers in world markets, it could do so instantly. It would merely relax this "exchange" exaction; and in so doing it would work no hardship whatever on the wage earner.

(2) The Chilean Government, in fact, has announced its intention of "unifying" the exchange-rate system; so that there is every reason to expect that, in the near future, the copper producers will be accorded the same rate as others. Their production costs will benefit very substantially.

In addition to the advantages of low wage scales and rich ore under which foreign copper is being produced, the devaluation of foreign currencies has had the effect of further improving the competitive position of copper producers outside the United States. Devaluation has raised the return, in terms of dollars, of copper-mining companies operating in countries which have devalued; and this, in turn, will further stimulate foreign production of copper and aggravate the expected oversupply of copper from abroad.

*Point 6. Maintaining the health and vigor of the domestic industry is vital to the public interest*

The question may well be asked: Is it worth while, in the public interest, to try to preserve that portion of the domestic copper-producing industry that is threatened? The statements of Mr. Petermann and Mr. Willis dwell at length on the economic and social hardship created by shut-downs and curtailment brought about by the collapse of the copper market that started in the second quarter of 1949. They have described the exceptional vulnerability of mines to shut-downs. The statement discusses these matters: and I will not go into them now. I will, however, emphasize again the question of national security. No informed person needs to be told of the vital role of copper in modern warfare. Not munitions alone, but all the matériel, machines, and engines of war require copper in large quantity. Only a thriving, active, expanding domestic copper industry can be relied upon to contribute adequately to the supply of metal needed to wage a future war. That is the measure of a sound program for national security. From every point of view maintaining the health and vitality of the domestic copper industry is in the public interest.

*Point 7. Objections of opponents of the import tax are either (1) dictated by interests in foreign mines; or (2) illusory and without foundation*

The articulate opponents of the import tax, in American industry, fall into two groups, as follows:

(1) Spokesmen for companies that are controlled in the United States but that produce large quantities of foreign copper.

So far as mining operations are concerned, the preponderant economic interests of these companies lie abroad. Their position is logical; but Congress no doubt will see that the basic issue clearly lies between the relatively dilute interest of United States citizens who hold shares in companies that mine copper in foreign countries, and the highly concentrated interest of United States citizens who gain all or part of their livelihood from the business of mining copper in the United States. As remarked before, there is nothing reprehensible in the position taken by the officials of the companies having major foreign interests. They are simply performing their duty.

(2) A segment of domestic fabricators of copper products.

So-called independent fabricators profess to believe that, as a consequence of the import tax, they will be unable to obtain needed copper on a competitive basis. What they have in mind is (1) that they would be at a disadvantage as compared with affiliated fabricators who would be able to obtain copper from the producing companies that own or control them; and (2) that the independents would be forced to absorb the import tax and pay 2 cents more than the prevailing domestic price for their metal.

Neither of the foregoing allegations will hold water. It is sometimes argued that the integrated producers, who control 85 percent of domestic production, control 70 percent of the domestic fabricating capacity and that this seriously restricts the amount of metal to which the independent has access. Whether these figures are accurate or not; it is a fact that the largest single producer (Kennecott) controls a relatively small proportion of the country's fabricating capacity. He sells to any one in the market. On the other hand, the largest single fabricator (Anaconda) has a relatively small domestic production and a tremendously large production capacity, abroad. He uses imported copper in substantial quantity. But in any event, the contention is fallacious that the import duty—on or off—could have a bearing on the matter. The fears of these fabricators, in this respect have no foundation whatever.

If the state of the copper market were such that foreign producers could compel an independent fabricator to absorb the import tax, they could compel him to absorb the cost of milling their ores or any other phase of the whole process of getting copper from the mine to the plant of the fabricator. The relations of supply and demand, and not an import tax, dictate the price that a producer, whether foreign or domestic, can obtain for his metal. It would be possible for foreign producers to cartelize their business; and, by so doing, they conceivably could raise the world price, thereby inducing an increase in the domestic price. Such a step is not to be expected; but, in any event, foreign producers could do it just as readily and effectively in the absence of an import tax as if one were in effect.

It is significant to note briefly what happened in the lead market, when the tariff, after a suspension (enacted for the same reasons as dictated the suspension of the copper duty), automatically became operative again. On June 30, 1949, the day before the reinstatement, the domestic price of lead was 12 cents. Since that time, the price of the metal has declined to as low as 10¼ cents and has fluctuated between that level and 12 cents. Imports have averaged 15 percent higher since the restoration. During the period no domestic consumer of lead has been compelled to pay more than the domestic price for lead of foreign origin. Nor has any manufacturer of lead products failed to get all the metal he required.

The case of zinc is equally instructive. There has been a duty on zinc for many years and, unlike the case of copper and lead, it has never been suspended. Zinc imports have averaged 38 percent of the total domestic supply each year since the war. Again, as in the case of lead, no domestic consumer of zinc has been compelled to pay more than the domestic price of zinc for metal of foreign origin.

There is no valid reason to believe that the fabricators of copper should fare less happily than those using lead and zinc. Foreign producers of copper will look hungrily at the United States domestic market (and at United States dollar exchange); the small import duty will be a hurdle easy to take; and they will be active competitors for business at the prevailing domestic price. Except for exceedingly brief periods, there never have been two domestic prices for newly mined copper in the United States at the same time; and there is no reason to expect that there will be. Consequently the professed fears of "independent" fabricators are illusory.

One other matter deserves attention. Advocates of resuspension of the tax argue that failure by you to enact such resuspension would constitute an "unfriendly" act to the Republic of Chile. It should be remembered that the negotiations, under the reciprocal trade program, reduced the duty primarily as a concession and as a gesture of good will to Chile. The United States is prepared to live up to the letter to that agreement; and to retain the reduction of 50 percent. It is hard to see how willingness to carry out its bargain can be interpreted as being in any sense unfriendly. There are friendly nations other than Chile; and, if the proposed policy were to be carried out consistently, we ought, in the name of friendship, to drop all tariffs and all import taxes on all commodities, including manufactured goods.

Finally, I should like to read the five conclusions appearing on pages 36 and 37 of the statement, as printed.

"1. Our domestic copper-producing industry is a national asset of first magnitude—vital to the peacetime economy and to national security. To so maintain it through the protection of an import tax is a well-established policy of the United States. Such protection was suspended temporarily only to meet an abnormal demand, the end of which is clearly in sight.

"2. Mines themselves, and mining communities, are uniquely susceptible to injury from shut-downs—even though resumption is hoped for. Valuable reserves may be lost forever. Vital exploration and development languish; payrolls shrink; dependent and related business stagnates.

"3. Future consumption, based on past experience and statistics can be met by domestic mine production. Statisfaction of the war-created, pent-up demand which, with the Government stockpile, has required substantial imports over the last 4 years, has nearly been accomplished. In any event, the needs of the stockpile furnish no basis for opposition to the import tax.

"4. The existence of a tremendous surplus of foreign productive capacity, and the history of what has taken place in the case of lead and zinc, provide assurance that, if for a period there should be a demand for copper which the domestic industry could not supply, it would be furnished to domestic consumers at a price never above the prevailing domestic price.

"5. The domestic copper-producing industry, its stockholders, its employees, its communities, and the States in which it operates—all are threatened by a single important fact, a large potential surplus of foreign copper. That surplus is largely low-cost copper. The lower foreign costs are in substantial measure due to the lower standard of living of the foreign miner. Those facts always have been thought in the United States to justify an import tax. They justify one today."

## Statement of Charles F. Willis, State Secretary, Arizona Small Mine Operators Association

My name is Charles F. Willis and I am State secretary of the Arizona Small Mine Operators Association which consists of some 3,800 members who have—and would like to be able to operate—mining properties in Arizona. Many of them are copper properties. I am also assistant secretary of the Arizona Copper Tariff Board, a group set up by the State of Arizona about 20 years ago for the purpose of securing enactment of and maintenance of sufficient excise-tax protection to give our domestic mines an opportunity to do business in competition with low-cost foreign producers. This board is of vital importance to Arizona because the economy of the State hinges more upon the copper mining industry than upon any other factor.

I am also a member of the National Minerals Advisory Council, having been appointed to the original group by Secretary of the Interior Julius Krug, and later reappointed by Secretary Oscar Chapman. This group consists of 46 men interested in mining, and the function of the council is to advise the Department of the Interior on mineral policies. I have been a member of that group since its beginning, and am the only representative from the State of Arizona.

Some 15 months ago you gentlemen heard exactly the same story you are hearing today about the tremendous demand for copper, the inability of the domestic mines to supply the amount the market requires despite prevailing high prices, the diminishing surplus stocks, the dire need for having the foreign metal readily available, the dependence of foreign countries on the United States market for their raw materials, including copper, and a hundred and one other arguments, all designed toward a further suspension of the 2-cent excise tax which had been imposed on foreign copper prior to World War II.

At that time the United States Congress granted an extension of this excise tax suspension for another 15-month period. The previous suspension had been for 2 years. We who are concerned with the national security and the domestic self-sufficiency of the copper mining industry, are quite willing to share any blame for that further suspension for we, too, were convinced by the statistical position presented that no harm would be done to the national security picture by such suspension.

However, we have since learned that a serious mistake was made by both the Congress and ourselves at that time. We failed to appreciate that the statistical position presented was nothing more or less than a stage setting for obtaining extra profits by those who had fabricating plants and no mines of their own and wished to have continuously an oversupply of the metal, and those who had copper mines in foreign countries with low wages and devalued currencies which made for low costs and greater profits.

Those who had set the stage for demonstrating the need of a continued suspension of the excise tax on foreign copper were no longer interested in maintaining that stage setting after the enactment of the legislation. Almost immediately something popped which demonstrated effectively that the statistical position which had been built up to get this legislation was, to a large extent, artificial.

The error in enacting that legislation 15 months ago, and what happened immediately following, is largely responsible for the situation on copper in which the country finds itself today from a national security viewpoint. If such legislation had not been enacted there would, in my opinion, be no such emergency today. However, in view of the stage setting of last year we wonder how accurate a picture is being drawn this year.

Let's look at what happened last year. Almost overnight the demand for copper slumped. Those who had overbought in order to create a good stage setting now pulled in their horns and stopped buying. The lessening of the demand for the metal caused intensive competition for the available market. That competition was between domestic and foreign producers, with the foreign producers having all the advantages because of low-cost labor, cheap water transportation, and other factors in their favor. They did not do business in this high-cost United States, but did do business in countries with continuously devaluing currencies.

The price started to drop on April 14, 1949, and between April 14 and June 17, 1949, the price of copper free on board Connecticut Valley dropped from 23½ cents a pound to 16 cents a pound, a price that was far out of line with what domestic copper must be in order to maintain the American standards of living in the western copper camps. Copper deliveries dropped to less than 50 percent of what this country could produce. Much has been said in recent publicity and editorials regarding the fact that in the past few months the price of copper had advanced from 18 cents to 22½ cents a pound, or 4½ cents a pound. This propaganda, designed to make you and the public believe something that is not true, failed to mention at all the drop of last year of 7½ cents a pound in a lesser period and that the price was not yet back to what it was when you granted the 15 months further suspension.

### ARIZONA MINES CURTAILED

Let's look at what happened to the Arizona mines. With a lessening demand whereby full-scale production could not be marketed, the Arizona mines had to curtail production. All of the smaller mines shut down completely. Some of the large mines also shut down and practically none of the mines that closed then have since been able to resume operations, even though the stage is set again with copper at 22½ cents a pound.

Some of the other mines curtailed production to the amount that could be marketed—a 3- or 4-day week—and others cut from a 6-day week which they had been working, to a 5-day week. This meant that the time-and-a-half paid for the sixth day of the week was lost to the workmen and made a 23-percent cut in weekly take-home pay for those who were employed.

Many of the properties that kept operating on a curtailed basis could not produce copper and sell it for 16 cents a pound, but it was a lesser loss to continue some production and absorb the deficit than it was to shut down and at some later date undertake the large expense of resuming operations. Among the larger producers Bisbee and Christian Copper shut down. Miami, Magma, Bagdad, United Verde, and others, kept going but curtailed production, hoping that the slump would only be of short duration. Even though they maintained production they could not produce at the prevailing price, nor could they market all they could produce. They gambled in keeping going and, in this particular case, they won. However, they, and many other copper mines, are concerned about whether they would win again if such a slump recurred. Even those which could be kept in operation with copper at 16 cents changed to a 5-day week.

Mines, when they are shut down, have a constant large expense of keeping out the water, holding up the ground, and caring for the equipment. It isn't a matter of merely closing and locking the doors, as in a manufacturing plant, and later on opening the doors and dusting off and oiling the machinery. Very frequently mines that have been shut down for any material length of time never can resume production because of the initial expense involved, unless they can be assured of a sufficiently long continuous market for their production at a price which would compensate for this large initial cost.

### LABOR WENT ON RELIEF

Let us look again at what happened to Arizona during this copper slump of 1949, from a labor point of view. Remember, gentlemen, that this is the picture in only one State, and that we have a large number of copper-producing States in which a similar situation prevailed.

I have before me a letter from the Employment Security Commission of Arizona, dated May 2, 1950. Without presenting to you the details of the statistics provided—which are attached in full—I do want you to get the picture of what we faced in Arizona at that time. For the first quarter of 1949, with 12,000 men employed daily in the mines, the total quarterly wages were $11,966,331. In the third quarter of the year, however, there were only 10,000 men employed, and the total wages were $8,697,833—a drop of $3,000,000 in wages paid. This hurt.

It is significant that in January of 1949, when you gentlemen were considering whether or not to further suspend the excise tax on foreign copper, the Employment Security Commission issued only 298 unemployment checks to miners, totaling $5,774. However, in the month of August of the same year, when foreign copper was freely flowing into this country, and domestic copper mines either curtailed or shut down, the Employment Security Commission issued 3,055 benefit checks to unemployed copper miners in Arizona, totaling $59,558. In the Bisbee-Douglas area alone the number of persons who filed new claims for unemployment compensation jumped from 68 in the month of February to 471 in the month of June. Bisbee is still shut down and many miners have long since exhausted their unemployment benefits.

The reflection of the slump was also shown in average hourly earnings, average weekly hours, and average weekly earnings. In April, when the slump in copper demand started, Arizona copper miners were making $1.53 per hour, working on an average of 47.6 hours per week, with a total weekly wage of $72.83. In August, however, the average hourly earnings were $1.45, the average weekly hours were 40.2, and the average weekly earnings were $58.34. There was no cut in the hourly wage rate. The principal factor influencing these changes was that the workweek had been cut from a 6-day to a 5-day week, and the sixth day, at time-and-a-half, was very important to the miners pay check. There was, however, a great difficulty in readjusting living expenses allowed by a $72 weekly pay check to a $58 weekly income.

### THE TAX PICTURE

As further evidence of what this slump in copper demand meant to those of us in the State of Arizona and in other copper States, I have before me something on taxes. It is impossible, of course, to get any complete and accurate statement of the tax cost of this slump in copper. All we can do is present to you some data which reflect or indicate such costs.

There are 8 of the 14 counties in Arizona in which mining is the major interest. It is significant that in the month of March 1949, those eight counties paid into the State treasury $181,501 in sales taxes on mining products. Yet in the month of September, those same counties contributed $77,992, far less than one-half the amount paid at the time when Congress enacted a 15 months' further suspension of the excise tax on foreign copper. The sales tax paid is in addition to 30 percent of all ad valorem taxes paid by the mines, unemployment compensation, social security payments, etc. The solvency of Arizona is largely dependent upon mine taxes.

However, that is only a part of the story; not even the major part insofar as it affects the tax collections of the State. The miner who is receiving $58 a week has to be far more careful about his purchases than he had to be when his pay check was $72. In these same eight mining counties in Arizona the retail sales tax collections were $448,802 in the month of March, and $338,550 in the month of September. There was a steady drop during that period. The peak of Arizona's tax collectors prosperity was right at the time when Congress enacted a 15 months' further suspension of the excise tax on foreign copper.

Also, a tax official of the State of Arizona estimated that the 1949 slump in copper demand cost the State over $2,250,000 in income taxes, but this was small compared to what it cost those employed in the mines, those who owned the mines, and those who had had to shut down completely and wonder if the United States Congress was going to be as much concerned about the opportunity of its own citizens as about the opportunity given foreign countries. Those opposing tariffs seemed more concerned about those in the United States who sent venture capital abroad to work for them and who expected favors, in the form of reduced tariffs, to permit that money to earn more than it could if it stayed in this country.

### STAGE SET AGAIN

The stage has been set again and possibly the statistical picture is intensified because the slump of 1949 in domestic copper mining created much of the picture as it stands today. You are again being told about the tremendous demand for copper and the high prices it is bringing which, incidentally, do not look so high when related to the commodity index. Based upon the wholesale commodity index copper today should be selling for over 30 cents a pound. If it were selling at anything like that price there would be a domestic production far in excess of any peacetime demands.

You are being told about metal shortages and the dependence of this country upon foreign supplies, and given a lot of statistical information as to production, consumption, surplus stocks, etc., just about along the same line as that which was presented to you 15 months ago and caused you to enact a further 15 months' suspension of a copper excise tax.

We agree that the stage setting is effective and convincing. Despite the seemingly stable picture of copper as shown by the statistics being presented, Arizona still has not recovered from the copper slump of 1949. In March 1949, the production of copper in Arizona was 37,365 tons. This had dropped to a production of 20,045 tons in September 1949. Since that time there has been a gradual increase and in April 1950 the production was 32,760 tons, still far below the output at the peak of the stage setting for congressional action in early 1949.

Prominent among the statistics being presented to your committee is the total production of copper in the United States in 1949 and how far that falls short of fulfilling the United States demand. They fail to tell you that the production of 1949 was more than 100,000 tons off 1948, largely because of the fact that there was an artificial stage setting early in the year. Congressional enactment of the

15 months' suspension of the copper excise tax cost this Nation more than 100,000 tons of domestic newly mined copper. The 1949 domestic production figures are now being used to distort the true situation.

If there is further enactment of the suspension of the copper excise tax, what have the domestic mines to assure them that this time, any more than 15 months ago, how much of the present stage setting is artificial and that what happened in April 1949, when the bottom dropped out of the domestic copper market, will not happen again when there is no longer requirement for the seemingly prosperous statistical picture. There is, in our opinion, just one answer and that is the restoration of the 2-cent excise tax on foreign copper.

At the House hearings it was testified by several that, with the excise tax restored, there would be no change in the quantity of foreign metal that would come into this country. It would not be increased or decreased by such suspension although one witness did imply that there might be a "blackmail" movement by cutting shipments. He admitted no basis for such surmise. This is ridiculous because these mines, at the peak of their productive possibilities, have but one market for their surplus metal—the United States—and if they do not ship it here they have no other place to ship it.

It was brought out, however, that the reimposition of the excise tax on foreign metal could and would increase domestic production in that it would permit reopening of the mines that were shut down last year, and it would further encourage those who have copper properties in our Western States that governmental policy was veering toward giving them an opportunity to do business. The recovery of full production by the domestic mines that shut down or curtailed a year ago would mean an additional production of over 100,000 tons of copper annually. It means more than that to the national security picture.

An excise tax on foreign copper only assures the United States mines of having the first call on the United States market for what it can produce for whatever market there may be. It encourages domestic self-sufficiency even though it may never reach it. Beyond that, the mines of South America and Africa will continue to furnish the metal to fill the needs. If the potential demand for copper is anything like as large as the proponents of this legislation say it is, they should not be concerned for the reimposition of the tariff would have no effect on their market.

There is no need of taking any risk of another situation like 1949 when, with a slump in demand, the United States mines took practically the entire load of curtailment and the South American mines went merrily on with full-blast production simply because, with their low wage labor and cheap water transportation, they could put metal down in the Connecticut Valley at prices that would put United States mines out of business.

The mere fact that, at the moment, more copper is being demanded than can be supplied by the United States mines, is not an argument against the reimposition of the copper excise tax. There is no one who would deny that with wartime demand it might be necessary to call upon the whole world for all the copper they can produce. However, such imports would be purchased by the Government and they would pay no excise tax. It behooves you gentlemen in Congress to make it possible for the United States to be as nearly self-sufficient as it can be as a national security measure.

There are many possibilities for increased copper production in this country which, if not utilized, may be lost forever. We can get another 100,000 tons or more from those mines that shut down or curtailed in the 1949 slump. One of the witnesses in the House hearing pooh-poohed the importance of the small mine. He made the statement that during a peak war year about a dozen companies produced 90 percent of the domestic copper output. He rated as "small change" the 100,000 tons produced by the so-called small mines. This 100,000 tons is no "small change" in the national security picture.

This witness failed to call to the attention of the House committee that at least four mines of the 90-percent group shut down last year—Bisbee, Calumet & Hecla, Consolidated Copper Mines, and United Verde, and that all of the other mines in that group have since curtailed production. This is something that would not have happened if the tax had not been further suspended 15 months ago.

Also, this witness failed to tell the committee that a number of the mines in the 10-percent group whose production was pooh-poohed as "small change," have since become important mines. Offhand, I can think of a few in Arizona alone. Our war babies included Bagdad, Christmas Copper, Castle Dome, San Manuel, and others.

The San Manuel was mentioned in House committee testimony several times. It is the largest body of low grade copper ore ever found. Yet, it was an unimportant hole in the ground, a small mine, but a few years ago. It is low grade and will require large tonnage and continuous production in order to get costs that will permit of profitable operation. It is going to take 5 years and $50,000,000 to get this mine into that large production. However, essential to the decision to go ahead with that huge program is an assurance of continuous operation at full production and a market for their product. This assurance can only be supplied by the equalizing influence of a tariff. San Manuel is in this high-cost United States but it is mighty important to our national security as it will eventually become a very large producer.

Assuming that the small mines can produce no more than they did during World War II, there is another 100,000 tons from them. More of them are going to make large important producers in years to come for every large mine of today goes through the period of having been a small mine at one time. Thus the possibilities of that group are without limitation.

In addition to the above, at the end of World War II there were some 30 copper mining projects that had been engineered and set up and made ready to go by the War Production Board, with all data gathered as to what they could do and how they should do it. The ending of the war stopped the starting of these projects. They have not yet been launched. Involved in them was a potential production of 140,000 tons of copper a year that this country is not now getting and which, if delayed, will remain out of the picture and thus further diminish our national security insofar as copper is concerned.

BEING A GOOD NEIGHBOR

There are many in our western mining States who are wondering whether a greater allegiance should be shown to Chile, Peru, and Africa than to members of our own family of States. If there is a large enough market to absorb the copper output of all countries, fine and dandy, but if at any time there is not a sufficient market to absorb all the copper offered by all the world, it would be entirely fitting that we in the raw materials producing States ask that we be given an equal chance for the available market by minimizing (through a tax on foreign metal) some of the difference in production cost caused by low wage scales, poor living standards, and devalued currencies in foreign lands.

Being a good neighbor does not consist of, when there is insufficient food for your own family and your next door neighbor, letting your own family go hungry. Good neighborliness consists of sharing what you have and, in view of the huge difference in wage scales and other costs between Chile and Arizona and other Western States, it is sharing generously to have only a 2-cent excise tax on foreign copper. It would still be giving them a "good neighbor" break if the figure were as originally determined—4 cents a pound.

UNITED STATES MINES HANDICAPPED

United States mines, and these include many other metals in addition to copper, are definitely handicapped in that, being in the United States, they already have standards of living comparable to the standards of the eastern manufacturing States, and they have to provide wage scales, hours of employment, compensations, benefits, etc., that are distinctly in accordance with the highest United States standards and very remote from the standards prevailing in foreign countries which produce the same raw materials.

Arizona and the other Western States are asking no advantages over the foreign countries but we feel that we are perfectly justified in asking for an excise tariff sufficient to equalize, in part, at least, the competitive position of the various producing areas, and to obtain the opportunity to do business without self-inflicted handicaps.

It would take far more than a 2-cent excise tax on foreign copper to give the domestic mines that basis of equality of opportunity. Some 20 years ago it was determined, by long and careful study, that it took a 4-cent excise tax on foreign copper to place domestic mines on a comparable cost basis with foreign mines. This was cut to 2 cents by reciprocal tariff treaties, thus giving the foreign mines a 2-cent advantage. If, however, that study were made again, using today's figures, the difference in costs would show justification for an excise tax of over 8 cents a pound. However, we are only asking restoration of the 2-cent tax.

The spread in relative costs has been further increased in recent months by currency devaluation in foreign countries. The wage scales, measured in terms of United States dollars, have tremendously decreased. In other words, the need of protection for the domestic industry has increased because of lowering costs in foreign countries due to diminishing wage scales. Much more could be presented on this subject but suffice to say that Arizona and the western mining States with their valuable mineral resources would be tremendously wealthy and prosperous areas if, under present policies, those resources were to be found in South America or Africa. There seems to be no reason why those who have developed them should be handicapped because they kept their dollars working in this country.

Thus, in asking for a restoration of the 2-cent excise tax it is not seeking a full and complete answer to the problem. It very definitely is asking for an expression, by some enactment of the Eighty-first Congress, that there is to be at least one move in the direction of perpetuating the American mining industry and national security. The direction in which we have been rapidly traveling for the past several years is toward ultimate complete dependence upon foreign countries for the strategic minerals and metals necessary to warfare. God forbid that we will ever reach the time when that will be the situation for there is nothing that would so put us at the mercy of aggressors.

At the moment, when you are considering further suspension of the excise tax on copper, the lead and zinc industries are appealing to Congress and the Reciprocal Tariff Board for increased excises on those metals. The same situation applies to a large number of metals and minerals. It is obvious that they are not reaching sympathetic ears that appreciate that this is causing the gradual disappearance of the small mine operator—the one who starts the work that ultimately makes the big mines. He is being put out of business forever.

Congress has considered, but failed to enact, any subsidy or incentive legislation. It has not yet considered a tax incentive program for new mines, such as is responsible for the tremendous development of Canadian mineral resources. While Congress did put a "Buy American" clause in the stockpiling legislation, it has done nothing to see to it that that clause is operative. In other words, it had no teeth in it and is being ignored by those making stockpile purchases. The only way it can be forced upon those in charge is by earmarking definite portions of their appropriation for purchase of domestic materials.

For Congress to fail to reimpose the copper excise tax at this time would be to give further warning to those who are making the new mines of the country, that their efforts are in vain and that the "powers-that-be" are quite willing to see our production of metals and minerals move to foreign countries where inducements are offered by both those countries and the United States to those bringing in new wealth.

PROPONENTS HAVE PERSONAL PROFIT MOTIVE

Those who are seeking further suspension of the excise tax on foreign copper consist of two groups. First—the fabricators who obviously desire such competition among those who sell raw materials to them so they can keep the prices at a minimum. They want a continuous oversupply of what they buy. It is a personal profit motive pure and simple. Yet at the same time the fabricator of copper products demands—and gets—ample tariff protection on the goods he manufactures. He wants no protection on what he buys, but plenty on what he sells.

If you want an interesting experiment sometime, buy something made of copper or brass. Weigh it and determine how much it cost you per pound. Assume it was 100 percent copper—which is seldom the case—and then figure what it might have cost you if the copper had been 2 cents more per pound. You'll be surprised at the extremely small percentage increase.

Second—the United States mining companies who own copper mines abroad. They would be able to produce where labor is cheap and where standards of living are low, and yet have an unrestrained market as compared with their higher-cost competitors in the United States. This would be an ideal situation for them. Furthermore, these United States producers of foreign metals frequently have manufacturing facilities of their own which will take their low-cost foreign metal. Again—the profit motive.

Literally tens of thousands of dollars have been spent by those seeking enactment of this legislation in employment of many and capable propagandists in an attempt to make the Congress and the public believe something that was not so. They carried large advertisements in eastern financial papers and thus secured a cordial reception to publicity material which was full of half-truths and misleading statistics in that they did not tell the whole of the story, and distorted what they did tell. It is getting to be quite common practice to propagandize and attempt to make the people of the country believe something that is not so but, unfortunately, it can only be done by those who will profit in dollars by the results—if they win.

It is obvious that a continued oversupply of copper from foreign sources will put hundreds of dollars into the pockets of the fabricators for every dollar that they spent. It is not believed, however, that Congress will be deceived again this year for the result of last year's action on United States mines is directly before them, and national security (as to copper)—which means getting more metal from domestic mines as the only possible source—is uppermost in their minds.

We should be interested in the self-sufficiency of our country as to strategic and critical metals and minerals—not a profit motive. The small mine operators have long sought the opportunity to develop the resources of Arizona and other Western States, and make some more large mines out of small ones but, during recent years, that opportunity has been disappearing. The direction in which western mining is traveling indicates that within a few years we will be entirely dependent upon foreign sources for metals. You all know what that will mean to our national security picture.

Arizona and all Western States are important to our national security. What we can produce in copper and other metals is essential to the defense of this country in case of war, but they are of no value unless the industry is in a healthy and going condition. The slump of 1949 definitely made an imprint on the national security picture of today which cannot be compensated for or replaced by stockpiling of the metals.

It is a fallacy to believe that it is a conservation of resources to leave ore in the ground for, when the time comes that the metal contained in that ore is needed, it takes a long time and much expense to get it. It is only by the exploration and development of the small mines that we ever get our large producers. All large mines were small mines once and out of the hundreds of small mines we eventually do find some of them which develop into large producers and important units in the country's economy and security.

NEED NOT INCREASE PRICE

It is argued by some that the reimposition of the 2-cent excise tax on copper would increase the price of metal 2 cents a pound. This is a ridiculous and inaccurate statement. We have had a number of years of experience with a 4-cent excise tax on foreign copper and at no time during that period was the differential in price of the domestic and the foreign product more than 1 cent a pound. Most of the time there was absolutely no differential. The only time there is any differential in price is when the demand for the metal is in excess of that which the whole world can produce. Then there is a bidding for the available market.

We have had further—and more recent—experience. The excise tax of 2 cents a pound on copper was automatically restored on July 1 of this year when the former suspension legislation expired. Since July 1 there has been absolutely no change in the domestic price of copper except that Kennecott has anounced that it will sell copper at the Connecticut Valley price in any part of the United States. Thus, the only change has been a lowering of the price to midwestern and western consumers.

Excise tax or no excise tax, the price of the metal would be as it always has been—a matter of supply and demand. If more metal is needed than is readily available there is bidding for available metal, the price advances somewhat, and makes it possible for the mining of more marginal and higher priced ores. As the demand lessens the price goes down in the competitive selling of the amount that is available. It is merely a question of whether the buyer or the seller is doing the bidding.

However, regardless of the sise of the excise tax on foreign copper the price cannot run away. The price of copper has other factors involved for there are competitor metals. During recent years aluminum fabrication has rapidly developed this metal and it is now used satisfactorily for many of the uses to which copper had formerly been put. Plastics have likewise been developed. Modern plastics may be substituted for copper in certain places. The top price to which copper can ever go is definitely limited by the price at which aluminum is available. Aluminum is very plentiful. However, we must not destroy the domestic copper industry for there are many uses for which that metal is absolutely essential.

STOCKPILING COMPLICATES PROBLEM

It is undoubtedly true that the stockpiling program has contributed somewhat to the distorted statistical picture of copper today because it has increased the demand at a time when the demand was high anyway. There are some who are trying to make you believe that the stockpiling program would be injured by a reimposition of the excise tax on copper. Such argument is a reflection upon your intelligence. The reimposition of the excise tax would have no effect whatsoever on the stockpiling program for, as we all well know, the Government does not have to pay a tariff on what it purchases. As a matter of fact, it might even make the stockpiling program less expensive insofar as copper is concerned.

It has to be recognized that stockpiling is only temporary and that the degree to which it seems to stimulate demand is something that cannot be depended upon for the indefinite future. It has contributed much to a picture which is already artificial, and is a situation as of the moment which should not influence permanent policies. What your body does on this proposal is indicative of policy trends.

SMALL MINES RESPOND TO WAR CALL

There are some 400 Arizona small mines which responded to the emergency call of the last war. They are all now shut down and most of them shut down during the slump of April 1949. They need, and should have, assurance by declaration of policy as shown by congressional enactments that they are going to be given a chance to do business.

They are asking a chance to have inequalities leveled off to a limited extent to equalize, or partially equalize, competitive marketing conditions. Even 2 cents a pound on copper is not enough but it helps. Subsidies are admitted to be a cost to the Government but tariffs, or excise taxes, produce revenues. The small mines want to feel that when they invest their money and labor in a United States business, Congress is going to give them an opportunity to develop and not intentionally and deliberately increase their hazards.

Not all fabricators are in favor of continued suspension of tariffs. Andrew H. Phelps, vice president of Westinghouse Corp. and member of the National Minerals Advisory Council, at a meeting of the A. I. M. & M. E. pointed out that if minerals come from a part of the world where labor is paid a pittance, they may so disrupt the price here as to do injury to the domestic producers of such materials. Continuing, Phelps stated: "In the case of mineral raw materials of which the United States has deposits sufficient to supply domestic demands, two considerations should govern our controls of imports thereof. We should allow foreign countries to export them to us, but only when the competition between foreign and domestically produced materials is on a fair basis, in which case the tariff is the fairest equalizing agent."

Elmer W. Pehrson, acting director, Foreign Minerals Division, United States Bureau of Mines, in an address made recently before the American Tariff League of New York, maintained that tariff cuts that have been negotiated under the Reciprocal Trade Agreements Act, have "weakened the competitive position of the domestic mining industry under normal international trade in minerals and that condition does not seem far distant at the present time."

"The tariff is the well-established and accepted method for protecting the domestic industry," he explained. "It provides equal protection to all producers, sets a fixed limit on the premium consumers have to pay over world prices for raw materials, and is easily and impartially administered." He opposed proposals that import duties on strategic raw materials be removed to promote world trade.

In setting the stage for this particular controversy, organized labor in the fabricating areas urged their associated organizations throughout the country to join them in a protest to your committee against reimposition of the excise tax on foreign copper. Western organized labor has refused to do so. In answering their eastern connection which solicited this cooperation, E. F. Vickers, secretary-treasurer of the Arizona State Federation of Labor, stated:

"Arizona, as you no doubt know, is primarily a copper State. The entire economy of the State, almost, depends on copper. There are thousands of workers in this State employed in the producing of copper. The mining industry here is organized almost 100 percent, including both the AFL and CIO. The AFL Metal Trades Council has thousands of members working in the mines at good wages.

"A year ago a slump in the copper market caused the lay-off of about 23 percent of the men in the mines; it resulted in a 5-day week instead of a 6-day week with overtime for the extra day. Unless the 2-cent tariff is restored we will again be faced with a serious problem in the mines.

"You understand, of course, that the eliminating of this tariff will put American workers (mostly union) in competition with African 9-cent-an-hour workers, will immediately cause shut-down or serious curtailment of copper mines in this country, and will again cause a serious shortage of available copper in case of another war (which is not impossible).

"We realize companies, such as Revere Corp., want to buy copper as cheaply as possible, but we do not believe it should expect labor unions to assist in putting thousands of workers out of jobs in order to make a little larger profit."

### COPPER MINING VITAL TO ARIZONA

I could spend hours in demonstrating to you the place of copper mining in the economic picture of Arizona, its relation to the State, the dependence of Arizona upon its one predominant and major industry, and a thousand-and-one other things to show the importance of the subject under discussion to us; and similarly the other 12 copper producing States of the Union.

Needless to say that, while a healthy and going copper mining industry in the United States is mighty vital to our national security, it is even more than that to the State of Arizona. It is our bread and butter for which we are pleading. We ask that it not be taken away from us as was demonstrated could be done last year.

We may need foreign-produced copper at the moment and would not want to deny it our market when we do need it. However, we want to be able to market our domestic products during any period that may arise when demands slacken—either temporarily or permanently. What you were told 15 months ago could not happen, did happen last year and we saw what happened to Arizona.

You gentlemen are possibly not so much concerned with Arizona and the western mining States but you definitely are concerned about our national security program and the direction in which we are traveling in relation to that program. We urge a sincere study of the problem and a development of a program that will assure us of domestic self-sufficiency in event of war. It can be done but the suspension of excise taxes on foreign metal is traveling in the wrong direction toward accomplishment.

*Arizona production of copper, 1937–49*

| | Average price per pound | Production | Total value | Total value, all metals |
|---|---|---|---|---|
| | *Cents* | *Pounds* | | |
| 1937 | 12.1 | 576,950,000 | $69,811,676 | $90,855,462 |
| 1938 | 9.8 | 421,594,000 | 41,316,212 | 58,358,401 |
| 1939 | 10.4 | 524,224,000 | 54,519,206 | 72,616,408 |
| 1940 | 11.3 | 562,338,000 | 63,544,194 | 82,167,759 |
| 1941 | 11.8 | 652,634,000 | 77,010,812 | 97,638,310 |
| 1942 | 12.1 | 798,774,000 | 95,199,654 | 114,525,600 |
| 1943 | 13.0 | 808,362,000 | 104,827,060 | 121,212,902 |
| 1944 | 13.5 | 716,606,000 | 96,741,810 | 113,094,806 |
| 1945 | 13.5 | 574,406,000 | 77,544,810 | 95,963,006 |
| 1946 | 16.2 | 578,446,000 | 93,708,252 | 114,986,254 |
| 1947 | 21.0 | 732,438,000 | 153,811,560 | 182,752,537 |
| 1948 | 21.7 | 750,242,000 | 162,802,514 | 196,207,948 |
| 1949 | 19.7 | 713,000,000 | 140,461,000 | 177,474,350 |

*Production of copper in 1949, by States*

| | Copper | Total value, all metals | |
|---|---|---|---|
| | | 1949 | 1948 |
| | *Pounds* | | |
| Arizona | 713,000,000 | $177,474,350 | $196,207,948 |
| California | 1,320,000 | 20,422,671 | 20,294,093 |
| Colorado | 4,700,000 | 27,361,550 | 30,155,337 |
| Idaho | 2,750,000 | 55,616,100 | 67,758,290 |
| Montana | 107,700,000 | 46,954,918 | 56,422,609 |
| Nevada | 74,780,000 | 29,779,731 | 34,055,480 |
| New Mexico | 112,000,000 | 31,520,340 | 46,799,576 |
| Oregon | 48,000 | 584,443 | 527,064 |
| Utah | 384,140,000 | 118,930,284 | 149,763,677 |
| Washington | 10,180,000 | 9,475,582 | 11,171,715 |
| Tri-State | 7,508,000 | 71,364,286 | 69,665,009 |

*Mine production of copper in Arizona, by months*

[Short tons]

| | 1949 | 1950 | | 1949 | 1950 |
|---|---|---|---|---|---|
| January | 33,020 | 30,700 | July | 26,470 | |
| February | 32,080 | 29,080 | August | 22,455 | |
| March | 37,363 | 32,120 | September | 26,045 | |
| April | 34,970 | 32,760 | October | 27,555 | |
| May | 32,420 | | November | 28,500 | |
| June | 27,900 | | December | 28,600 | |

*Arizona copper mining employment statistics in 1949*

| | Number of employees | Total quarterly wages | | Number of employees | Total quarterly wages |
|---|---|---|---|---|---|
| January | 11,893 | | August | 10,300 | |
| February | 11,994 | | September | 10,249 | $8,997,833 |
| March | 12,009 | $11,966,331 | October | 10,134 | |
| April | 12,107 | | November | 10,114 | |
| May | 11,724 | | December | 10,117 | 9,602,825 |
| June | 10,862 | 10,045,241 | | | |
| July | 10,514 | | Total | | 40,612,230 |

*Metal miners employment earnings*

| | Average hourly earnings | Average weekly hours | Average weekly earnings | | Average hourly earnings | Average weekly hours | Average weekly earnings |
|---|---|---|---|---|---|---|---|
| January | $1.527 | 47.1 | $71.92 | July | $1.468 | 40.5 | $59.40 |
| February | 1.523 | 46.8 | 71.98 | August | 1.451 | 40.2 | 58.34 |
| March | 1.529 | 47.7 | 72.93 | September | 1.470 | 41.4 | 60.90 |
| April | 1.530 | 47.6 | 72.83 | October | 1.474 | 43.4 | 63.94 |
| May | 1.491 | 44.7 | 66.68 | November | 1.491 | 43.3 | 64.83 |
| June | 1.483 | 42.6 | 63.22 | December | 1.505 | 46.0 | 69.23 |

*Unemployment benefit payments*

| | Number of checks | Amount paid | New claims unemployment compensation, Bisbee-Douglas area | | Number of checks | Amount paid | New claims unemployment compensation, Bisbee-Douglas area |
|---|---|---|---|---|---|---|---|
| January | 298 | $5,774 | 91 | August | 3,055 | $59,558 | 380 |
| February | 453 | 8,918 | 68 | September | 2,825 | 54,903 | 84 |
| March | 676 | 13,047 | 102 | October | 1,947 | 37,606 | 83 |
| April | 594 | 11,505 | 76 | November | 1,615 | 31,133 | 100 |
| May | 570 | 10,884 | 149 | December | 1,449 | 28,044 | 69 |
| June | 1,023 | 19,995 | 471 | | | | |
| July | 1,650 | 32,232 | 461 | Total | | 313,589 | |

*Sales-tax collections in Arizona mining counties in 1949*

| | Cochise | | Gila | | Greenlee | |
|---|---|---|---|---|---|---|
| | Mining | Retail | Mining | Retail | Mining | Retail |
| January | $17,407 | $57,153 | $34,134 | $34,004 | $54,754 | $10,762 |
| February | 18,838 | 35,571 | 31,004 | 19,304 | 58,211 | 9,720 |
| March | 19,063 | 44,348 | 33,124 | 20,799 | 70,572 | 12,418 |
| April | 18,921 | 45,043 | 35,220 | 29,515 | 64,531 | 13,272 |
| May | 11,516 | 50,953 | 30,273 | 34,735 | 50,095 | 13,761 |
| June | 18,700 | 50,451 | 20,215 | 30,132 | 43,333 | 10,619 |
| July | 13,033 | 41,581 | 22,785 | 20,590 | 39,230 | 10,953 |
| August | 7,009 | 35,974 | 13,134 | 21,320 | 34,810 | 9,898 |
| September | 6,812 | 35,871 | 14,222 | 24,801 | 33,780 | 10,433 |
| October | 6,671 | 37,052 | 20,830 | 22,929 | 30,928 | 10,266 |
| November | 7,114 | 33,562 | 20,836 | 23,490 | 33,708 | 10,790 |
| December | 6,356 | 38,518 | 20,250 | 22,104 | 30,722 | 11,055 |

| | Mohave | | Pima | | Pinal | |
|---|---|---|---|---|---|---|
| | Mining | Retail | Mining | Retail | Mining | Retail |
| January | $345 | $10,441 | $22,934 | $278,528 | $13,137 | $48,707 |
| February | | 3,718 | 25,890 | 165,501 | 209 | 22,987 |
| March | 545 | 16,579 | 25,307 | 234,308 | 19,640 | 56,657 |
| April | 348 | 7,609 | 19,768 | 215,709 | 12,121 | 40,318 |
| May | 430 | 13,300 | 20,208 | 228,010 | 16,552 | 42,899 |
| June | 200 | 9,097 | 19,005 | 191,220 | 8,643 | 41,503 |
| July | 148 | 10,537 | 12,907 | 180,815 | 6,280 | 39,934 |
| August | 205 | 10,333 | 9,001 | 173,426 | 7,108 | 41,320 |
| September | 235 | 11,858 | 9,803 | 170,644 | 4,979 | 38,565 |
| October | 231 | 10,408 | 18,674 | 174,458 | 14,510 | 30,543 |
| November | 352 | 10,170 | 21,515 | 190,097 | 15,018 | 41,722 |
| December | 254 | 9,541 | 21,620 | 189,177 | 15,917 | 52,503 |

| | Santa Cruz | | Yavapai | | Total, 8 mining counties | |
|---|---|---|---|---|---|---|
| | Mining | Retail | Mining | Retail | Mining | Retail |
| January | $1,509 | $22,063 | $8,614 | $36,836 | 152,874 | 505,184 |
| February | 888 | 8,440 | 10,261 | 15,955 | 146,901 | 291,206 |
| March | 903 | 22,665 | 12,346 | 35,040 | 181,501 | 448,809 |
| April | 1,141 | 18,131 | 12,850 | 28,223 | 164,908 | 397,874 |
| May | 1,011 | 17,947 | 9,551 | 37,872 | 140,328 | 438,857 |
| June | 971 | 14,641 | 8,812 | 32,162 | 128,848 | 379,915 |
| July | 590 | 13,786 | 7,087 | 33,325 | 102,648 | 356,521 |
| August | 495 | 13,259 | 5,827 | 33,479 | 78,639 | 341,098 |
| September | 118 | 14,206 | 8,347 | 32,092 | 77,902 | 338,550 |
| October | 244 | 13,157 | 8,913 | 31,189 | 100,979 | 338,942 |
| November | 292 | 14,591 | 8,180 | 31,033 | 109,015 | 355,960 |
| December | 317 | 14,017 | 5,128 | 28,305 | 100,602 | 365,260 |
| Total | | | | | 1,494,613 | 4,548,200 |

Senator McFARLAND. Mr. Chairman, immediately after the war, we were approached and told that we should have a repeal of this tariff or excise tax for a while to let the fabricating companies in the United States get on their feet. That was the main argument. There was no other argument. There was nothing else. They said we were short of copper and it would be of advantage to them. We went along with them. What was the result? You heard testimony of Senator Malone and Senator Hayden that shortly after the last extension of the repeal, the price dropped down to 16 cents. A lot of our mines were shut down and production was curtailed and people were thrown out of work. Did we get one single bit of cooperation from those companies and those people? No. They were here opposing us. If they had cooperated with us as we cooperated with them, we would feel a little more kindly toward this situation, but we did not get any cooperation. As a result, the people of the West, the people of the State of Arizona, are living in fear of what may happen to the copper mines of that State.

As was well stated by my colleague, Senator Hayden, this copper tax has a stabilizing effect upon the industry, and that is the main purpose of it. Let me say here, if I may, that it is not a question of whether you produce more or less copper than is used in the United States. That was not the purpose for which the tariffs were placed upon the various products in the United States. They are placed to stabilize and help industries get on their feet. Everyone knows it is common knowledge that we cannot compete with the cheap labor and cheaper materials that they have in South America and other countries. In the testimony before the committee, the Committee on Interior and Insular Affairs, it was shown that last year 4 cents would not be sufficient to make up the difference. It would take at least 6 cents.

Senator TAFT. Senator McFarland, there is a bill I noticed on the calendar to subsidize the production or the development or something of copper. I did not read the bill. It was not reached on the calendar yesterday. Is that an additional subsidy?

Senator McFARLAND. That bill would affect only the very small mines. It is principally for exploration work. Since the distinguished Senator from Ohio and the junior Senator from Arizona left the Banking and Currency Committee, all of that has been thrown out the window. That bill failed to pass in the House when it was up over there.

Senator TAFT. If we voted this bill down, you would not much mind our voting that one down?

Senator McFARLAND. If you vote this one down it will be helpful, but the two are not the same thing. We would like to have the other one, but we certainly need this one voted down because one of the main things in the United States today is that people are living in fear of what will happen to their business and industry.

Senator HAYDEN. If I might interrupt my colleague, I will say this: The idea behind the bill on the calendar is like the idea behind the appropriations sought for the Bureau of Mines and Geological Survey. It is that if we know what we have in the way of mineral resources we are better off if we get into a tight war and do not have freedom of the seas. Encouraging the small mine owner to develop his property by advancing him money for exploration or the expenditure of money by the Bureau of Mines and the Geological Survey in determining what we have in the country is the development of a national asset that might be very greatly needed at some future time.

Senator MALONE. I wish to supplement what the distinguished Senator from Arizona has said: That any mining bill that has been introduced like the O'Mahoney-Malone bill, with the full cooperation of the Senator from Arizona, was simply to move into a subsidy basis like agricultural products because of the lowering of the import fees. If we had a flexible import-fee principle, no subsidy bill would ever appear on minerals with our support, I am sure.

Senator MCFARLAND. I just want to say that the time has come when this excise tax should be restored in order to restore confidence in the mining industry in the West. This proposition of an emergency and the war has absolutely nothing to do with this. It is just an excuse and an argument. We went through the most all-out global war in World War II that the world has ever known, and this tariff was on; and, of course, the Government attempted to buy copper, but they could not get it. We had to depend on our own mines. Our mines responded; the people responded; now they are entitled to some form of protection by the Congress of the United States. If we cannot get that protection, the economy of our State will be seriously affected. Of course, these people will go ahead and mine these mines as they have as long as they can get a reasonable price, but in order to have venture capital you must have some encouragement for the people of the United States; the Congress of the United States must give them some protection. As our good friend the senior Senator from Texas well knows, nobody is going to put down an oil well or try to find oil unless he thinks he is going to get a reasonable return. He is gambling. Mining is a gamble, as is oil. You talk about extending it for one more year. That is what we have been doing from year to year. If you extend this repeal for another year, the people in the industry will immediately say, "Oh, well, when that year is up, we will get another one."

I contend, Mr. Chairman, that the time has come when the copper industry should have some consideration.

As was pointed out by the Senator from Nevada, there isn't a single member of this committee that has not some industry or some product in his State which is not protected by some form of tax. It is not fair to single out one and not single out the others. That is what we had in mind doing. We have come up here with our backs against the wall. We cannot afford to see a whole year's extension without having a full review of this whole situation. If we are going to have it on copper, why not take the whole business? Why just single out one little product? Why not take lead, oil, and zinc? Lead is needed for war purposes. Every one knows that. Why just single out copper because a few fabricating companies want to make a little more money, or principally because some company down in Chile wants to make more money? Has there been any evidence before the Congress of the United States that the Chilean Government has gotten any more money because of this tax? Has there been any evidence that the labor down there has gotten any more money? I will venture to say that if you will run the thing down you will find that it goes into the pockets of some American companies that are producing down there, they are the ones who are back of the whole thing.

Mr. Chairman, I don't want to take up much more time, but I do want to say this: We are talking about taxes. This could not affect our war effort, because if any company that produces more products has to pay more, of course, they just put it on the price of the article, and the Government pays it; and they have the tax anyway. It does not affect it at all. It is just like it was in the last war. But it does affect it in this way: We want to raise more money for the Government of the United States. How are you going to get more money by repealing and suspending taxes which would bring in a little more revenue?

This is serious with us. We just feel that it is not fair to pick out one product unless you are going to take all of them, go up and down the line and have a reconsideration.

(Discussion off the record.)

Senator MARTIN. Mr. Chairman, I do not know whether anyone of the Senators can answer this question: How much investment does it take for each workingman in a copper mine?

Senator MCFARLAND. I will place that in the record.

Senator MARTIN. My big interest is to keep the people of America gainfully employed. In my State the cost per man is increasing daily, and it is a very serious thing to the detriment of our working people, taking our glass, textiles, oil, and many other things, I think it is important to have, Senator. I want to keep people working.

Senator MCFARLAND. I will be glad to furnish that.

(The information referred to follows:)

In an open-pit operation, I am advised the cost is $30,000 per man. In an underground mine where costs run higher, I am advised the cost is between $40,000 and $50,000 per man, depending on the facilities at the mine.

Senator MCFARLAND. I do want to say this in all seriousness: That I do not think it is a time to be making a lot of these changes, and this is another change, because it is just the same. When you go to extend it another time, it is a promise when you make 1 year's extension that that will be the last. When we do go into anything more, then it is time to go into the whole question.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator McFarland.

The CHAIRMAN. Did you wish to put something in the record, Mr. Baring?

Representative WALTER S. BARING (Member of Congress from the State of Nevada). Senator George, I do not come over with a prepared statement, but I was here to hear Senator McFarland's words, and I know that my own Senator Malone previously talked on the subject. I, too, am very much for the reimposition of the tax. Any man who has not been out West and seen the condition of those mines does not get the true picture. If a mine is closed and filled with water, it is lost forever. There are hundreds of mines. It is not just one. We had one closed in Nevada last May after the suspension was again put on, and 375 men were laid off right there. There is another danger in another part right now, a mine of 75 men.

I did want to call the attention of the Senator, if I may have just a moment, to the irregular way the first resolution went through the House. They introduced it and passed it on the same day without even putting it through committee. It was brought up on the floor on unanimous consent after 5 o'clock at night, when there were not 20 men on the floor. I am just stating this to show the speed with which the proponents of the suspension tried to put it through the House.

The CHAIRMAN. That is all erased now.

Representative BARING. Yes; we went through the regular channels on that. I certainly am for the reimposition of the copper tax to protect our own mining industry in this country.

The CHAIRMAN. Thank you very much, Congressman. I am glad to note your appearance here.

There is a statement, in addition to the House hearings, by Mr. Danaher, of less than one page, which I will put in the record, bringing some figures up to date, as I understand it.

(The statement referred to follows:)

WASHINGTON, D. C.

In re House Joint Resolution 502.

DEAR SENATOR: Exhaustive House hearings demonstrated conclusively—

(1) Domestic mine production of primary copper provides only about 60-65 percent of our annual copper needs.

(2) Even when the Government paid the costs of marginal mine production during the war, 210 high-cost marginal mines were able to produce only 81,000 tons in a year; less than 7 percent of our needs.

(3) This is not a temporary condition; for 10 solid years we have been in deficit status and required imports.

(4) A tariff was imposed on copper in 1932 on a temporary basis; was continued for two more years on a temporary basis, and each 2 years thereafter until the Revenue Act of 1941. The tariff was temporary, not its suspension. Throughout the thirties we annually exported more than 70,000 tons per year.

(5) Unless the import tax of $40 per ton is again suspended, the American people will be penalized for importing a vital essential raw material which is not produced in adequate quantity in this country.

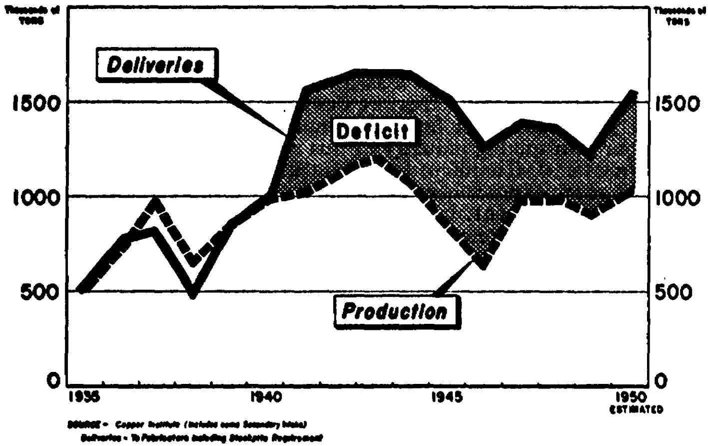
(6) The tariff should again be suspended for 1 year so that necessary commitments can be made to assure adequate supplies.

(7) All of the foregoing is true without regard to stockpile needs and wartime demands, and no one can tell exactly what they will be.

Respectfully submitted.

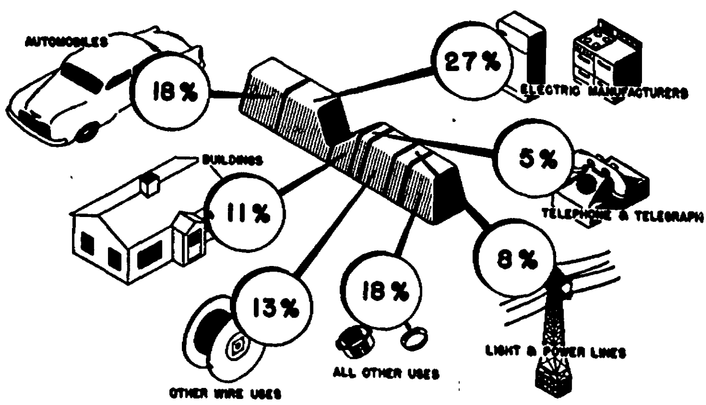
JOHN A. DANAHER,
*Attorney for Revere Copper & Brass, Inc.*

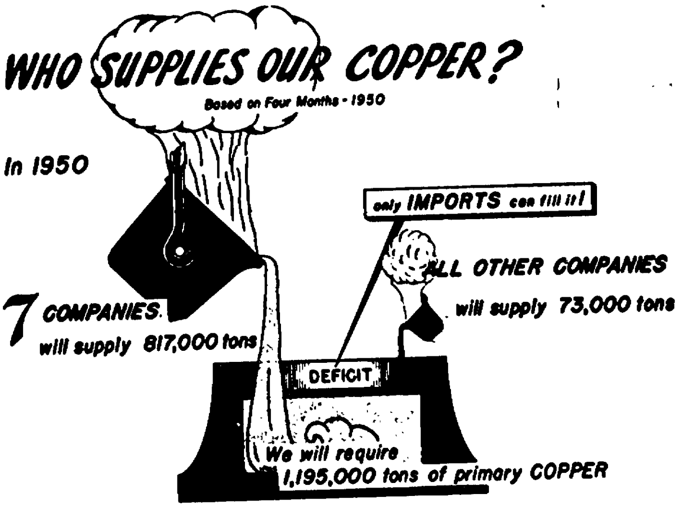
# THE U.S. COPPER STORY




# WHO NEEDS COPPER?

**Percent of U.S. Consumption**






**Some FACTS about COPPER**

| Short tons | Production from U.S. MINES: 7 Companies | Others | TOTAL | U.S. Requirement of Primary Copper | U.S. DEFICIT Must be IMPORTED |
|---|---|---|---|---|---|
| Maximum WAR Effort (1943) | 1,020,000 | 94,000 | 1,114,000 | 1,618,000 | 504,000 |
| Post-war Period | | | | | |
| 1946 | 560,000 | 44,000 | 604,000 | 1,199,000 | 595,000 |
| 1947 | 804,000 | 70,000 | 874,000 | 1,233,000 | 359,000 |
| 1948 | 795,000 | 60,000 | 855,000 | 1,264,000 | 409,000 |
| 1949 | 707,000 | 66,000 | 773,000 | 918,000 | 145,000 |
| 1950 estimated | 817,000 | 73,000 | 890,000 | 1,195,000 | 305,000 |
| Note—In the above NOT 1 Ton has been provided for National Defense Requirement for Strategic Metals Stockpile in 1950 will be — | | | | | 200,000 |
| | | | | TOTAL U.S. DEFICIT - 1950 | 505,000 |

SOURCE—AMERICAN BUREAU OF METAL STATISTICS

(Whereupon, at 11:55 a. m., the committee proceeded to the consideration of other business.)

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