1054

COPPER IMPORT TAX SUSPENSION

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-THIRD CONGRESS

FIRST SESSION

ON

H. R. 568

AN ACT TO CONTINUE UNTIL THE CLOSE OF JUNE 30, 1954, THE SUSPENSION OF CERTAIN IMPORT TAXES ON COPPER

FEBRUARY 3 AND 4, 1953

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COPPER IMPORT TAX SUSPENSION

TUESDAY, FEBRUARY 3, 1953

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

The committee met, pursuant to call, at 10:15 a. m., room 312, Senate Office Building, Senator Eugene D. Millikin, chairman, presiding.

Present: Senators Millikin, Butler, Williams, Flanders, Malone, Carlson, Bennett, Johnson, Hoey, Frear, and Long.

Also present: Senator Bush.

The CHAIRMAN. A quorum is present and the meeting will come to order.

The reporter will please insert in the record the bill, H. R. 568, which is before us for consideration.

Also, the reporter will insert at this point in the record the following:

The report of the Committee on Ways and Means of the House of Representatives on that bill.

The report of Sinclair Weeks, Secretary of Commerce, which concludes with the statement:

> We therefore urge favorable action on H. R. 568. The Bureau of the Budget advises us that no objection will be taken to this report.

The report of Jess Larson, Administrator of General Services Administration in which he concludes by saying:

> In view of the exigency of the situation, this statement has not been cleared with the Bureau of the Budget.

And the preceding paragraph states:

> Likewise, I wish to endorse this bill in my capacity as Administrator of Defense Materials Procurement Agency. From our study of the raw materials requirements it is, in our opinion, most necessary that nothing be done to impede the free flow of copper to the industry of this country.

The preceding paragraph is:

> In response to your request, this is to inform you that this Administration has no objection to the enactment of H. R. 568 recently passed by the House and now pending before your committee.

A favorable report from Ben H. Brown, Acting Assistant Secretary of the Department of State.

A statement submitted on behalf of the following named United States copper producers: Calumet and Hecla, Castle Dome, Copper Canyon, Copper Range, Magma Copper, Miami Copper Co., North Carolina Exploration Co., Phelps Dodge, Quincy Mining Co., Tennessee Copper Co., and Vermont Copper Co. The statement approves the enactment of this bill.

The Arizona Copper Tariff Board submits a letter signed by Sam H. Morris, chairman. The concluding paragraph is:

The Arizona Copper Tariff Board wishes to be recorded by your committee as favoring prompt enactment of H. R. 568 in the form as passed by the House of Representatives.

A letter favoring the bill from James H. Stebbins of W. R. Grace & Co., 7 Hanover Square, New York; and a memo from the United States Tariff Commission.

(The documents referred to follow:)

[H. R. 568, 83d Cong., 1st sess.]

AN ACT To continue until the close of June 30, 1954, the suspension of 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 Act entitled "An Act to suspend certain import taxes on copper," approved May 22, 1951 (Public Law 38, Eighty-second Congress), is hereby amended by striking out "February 15, 1953, or the termination of the national emergency proclaimed by the President on December 16, 1950, whichever is earlier" and inserting in lieu thereof "June 30, 1954."

Passed the House of Representatives January 19, 1953.

Attest: LYLE O. SNADER, *Clerk.*

[H. Rept. No. 4, 83d Cong., 1st sess.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 568) to suspend certain import taxes on copper, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

H. R. 568 amends the act of May 22, 1951 (Public Law 38, 82d Cong.), so as to continue until June 30, 1954, the suspension of the 2 cents per pound import tax on copper imposed under section 3425 of the Internal Revenue Code (26 U. S. C., sec. 3425). Public Law 38 provides for the suspension of this tax until the close of February 15, 1953, or the termination of the national emergency proclaimed by the President on December 16, 1950, whichever is earlier. In addition, Public Law 38 provides that the President shall revoke the suspension of the import tax if the average price of electrolytic copper for any calendar month falls below 24 cents per pound and this safeguard to our domestic copper mining industry is continued under H. R. 568. In view of the continuation of this safeguarding provision and in view also of the duration for which the suspension is continued, H. R. 568 eliminates the provision of Public Law 38 that the suspension will terminate in the event the President proclaims the termination of the national emergency.

GENERAL STATEMENT

Your committee is satisfied that a continuation of the suspension of the import tax on copper will have no possible adverse effect upon our domestic mining industry since it is at the present time unable to produce sufficient refined copper to meet current domestic needs. In the judgment of your committee there will continue to be a shortage of refined copper during the entire period of the proposed extension.

Total demand for refined copper is estimated to be about 174,000 tons per month for 1952 and the first half of 1953. This figure is composed of "stated requirements" under the controlled materials plan; and requirements for additions to Federal stockpile and miscellaneous uses of refined copper outside the operation of the controlled materials plan.

The total supply of refined copper for all purposes is estimated to be 136,000 short tons per month for 1952 and 140,000 tons for first half of 1953. The 1952 figure is composed of 87,000 tons (64 percent) from domestic sources and 49,000 tons (36 percent) from foreign sources. Comparative figures for first half of 1953 are 90,000 tons from domestic sources and 50,000 tons from foreign sources.

Exports of refined copper in 1952 averaged about 14,000 tons per month. It is anticipated that exports will amount to about 8,000 tons per month in the first half of 1953. Refined copper produced from "run-around" scrap owned by brass mills and copper wire mills (domestic toll) amounted to about 4,000 tons per month in 1952 and will average 5,000 tons per month in the first half of 1953. Deducting exports and domestic toll from the gross supply figures leaves 118,000 tons per month for 1952 and 125,000 tons per month for first half of 1953 to meet the demand above specified.

Your committee has been assured that our domestic copper producers are in support of H. R. 568, which was favorably reported by the unanimous vote of your committee. The Departments of Commerce, Defense, and all other Government agencies concerned are also in favor of enactment of this legislation.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

"PUBLIC LAW 38—82D CONGRESS

"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, 1951, and ending with the close of [February 15, 1953, or the termination of the national emergency proclaimed by the President on December 16, 1950, whichever is earlier] *June 30, 1954*: *Provided*, That when, for any one calendar month during such period, the average market price of electrolytic copper for that month, in standard shapes and sizes, delivered Connecticut Valley, has been below 24 cents per pound, the Tariff Commission, within fifteen days after the conclusion of such calendar month, shall so advise the President, and the President shall, by proclamation, not later than twenty days after he has been so advised by the Tariff Commission, revoke such suspension of the import tax imposed under section 3425 of the Internal Revenue Code.

"In determining the average market price of electrolytic copper for each calendar month, the Tariff Commission is hereby authorized and directed to base its findings upon sources commonly resorted to by the buyers of copper in the usual channels of commerce, including, but not limited to, quotations of the market price for electrolytic copper, in standard shapes and sizes, delivered Connecticut Valley, reported by the Engineering and Mining Journal's 'Metal and Mineral Markets'."

THE SECRETARY OF COMMERCE,
Washington 25, D. C., February 2, 1953.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: This letter is in further reply to your request of January 23, 1953, for the views of this Department concerning H. R. 568, an act to provide for continuation of the suspension of certain import taxes on copper.

On January 7, in a letter to the Speaker of the House of Representatives, Acting Secretary Davis requested the introduction of legislation extending until June 30, 1955, the suspension of import duties on copper. There are attached four copies of the statement of purpose and need submitted in support of our request for the introduction of such legislation.

Although we are still of the opinion that suspension of the import duty on copper will be necessary at least until June 30, 1955, we are not urging that the act of the House be amended at this time in view of the imminent expiration of the present law.

We therefore urge early favorable action on H. R. 568. The Bureau of the Budget advises us that no objection will be taken to this report.

If we can be of further assistance in this matter, please call on us.

Sincerely yours,

SINCLAIR WEEKS,
Secretary of Commerce.

STATEMENT OF PURPOSE AND NEED FOR PROPOSED LEGISLATION CONTINUING THE PRESENT SUSPENSION OF THE IMPORT DUTY ON COPPER

The proposed legislation would amend the act of May 22, 1951 (Public Law 38, 82d Cong.) so as to continue until June 30, 1955, the suspension of the import tax on copper imposed under section 3425 of the Internal Revenue Code (26 U. S. C., sec. 3425). Public Law 38 provides for the suspension of this tax until the close of February 15, 1953, or the termination of the national emergency proclaimed by the President on December 16, 1950, whichever is earlier. In addition, it provides that the President shall revoke the suspension of the import tax if the average price of electrolytic copper for any calendar month falls below 24 cents per pound.

The essential programs for which copper has been allocated under the controlled materials plan could never have been met during the current year without huge quantities of foreign copper having been made available to this country. From our projections of supply and demand through 1955, this would appear to be equally true for the foreseeable future.

The monthly average of refined copper imports during the period of January through October was approximately 26,000 tons. This compares with a monthly average during the 3-year period 1947-50 of approximately 20,000 tons. In recent months, and since the lifting of price ceilings on foreign copper in July of 1952, the average monthly imports of refined copper have risen to 37,000 tons. This high level of refined copper imports would probably never have been attained nor would the defense program have been satisfied if domestic users of refined copper had been required to pay an import duty during this period.

Approximately one-third of the copper allocated to meet essential programs has been imported copper.

In our opinion, increased requirements for military needs, an accelerated stockpile program, and a minimum export program consistent with this Nation's foreign policy increases even further our dependence upon foreign copper. It appears that domestic production of refined copper cannot be increased significantly and failure to suspend the import duties would not only result in an increased price of foreign copper to domestic consumers but may well result in a loss of imports in a quantity greater than any anticipated increase in domestic production. Where the need for large quantities of foreign copper is so apparent it is essential to encourage the flow of imports by a waiver of tariff. This is especially true where it can have no possible adverse effect upon domestic industry since it is utterly incapable of producing sufficient refined copper to meet current domestic needs.

It is recommended that the present law be extended without change until June 30, 1955. It now appears that there will be a deficit of refined copper during the entire period of the proposed extension.

Total demand for refined copper is estimated to be about 174,000 tons per month for 1952 and the first half of 1953. This figure is composed of "stated requirements" under the controlled materials plan; and requirements for additions to Federal stockpile and miscellaneous uses of refined copper outside the operation of the controlled materials plan.

The total supply of refined copper for all purposes is estimated to be 136,000 short tons per month for 1952 and 140,000 tons for first half of 1953. The 1952 figure is composed of 87,000 tons (64 percent) from domestic sources and 49,000 tons (36 percent) from foreign sources. Comparative figures for first half of 1953 are 90,000 tons from domestic sources and 50,000 tons from foreign sources.

Exports of refined copper in 1952 averaged about 14,000 tons per month. It is anticipated that exports will amount to about 8,000 tons per month in the first half of 1953. Refined copper produced from run-around scrap owned by brass mills and copper wire mills (domestic toll) amounted to about 4,000 tons per month in 1952 and will average 5,000 tons per month in the first half of 1953. Deducting exports and domestic toll from the gross supply figures leaves 118,000 tons per month for 1952 and 125,000 tons per month for first half of 1953 to meet the demand above specified.

The deficit for 1952 was about 56,000 tons per month and for the first half of 1953 will be about 47,000 tons per month. If it is assumed that total demand will remain the same for the last half of 1953, and the years 1954 and 1955, the deficit will be reduced to about 44,000 tons per month for the last half of 1953 and the year 1954, and 39,000 tons per month for 1955. This assumption concerning demand is predicated on a normal high level for civilian demand and includes defense requirements under partial mobilization. The assumption made above would be invalid if there is a business recession and consequent drop in demand;

if peace should be won with the resulting decrease in demands for defense purposes; or if full mobilization occurs, in which case defense demands would rise greatly.

The provisions of the present law in any case appear to have sufficient safeguards against a reduced demand. If demand falls, the price for copper likewise would fall. If the price should fall below 24 cents per pound, the current law provides that the tariff would be reimposed automatically by administrative action. Likewise, if the present emergency terminates, the tariff suspension is immediately revoked and the tax reimposed.

DEPARTMENT OF STATE,
January 30, 1953.

MY DEAR SENATOR MILLIKIN: Reference is made to your letter of January 23, 1953, transmitting for the views and recommendations of the Department of State, a copy of H. R. 568, a bill to continue until the close of June 30, 1954, the suspension of certain import taxes on copper.

The Department supports the enactment of legislation to continue the suspension of the excise tax on imported copper. The requirements of the United States for copper, including defense and stockpiling requirements, substantially exceed domestic production. It is apparent that the United States will continue to need substantial imports during the term of the proposed legislation and that there will be an adequate market for all domestically produced copper. If the copper tax were reinstated, we believe the cost would be borne by American consuming industries and contribute to inflation.

The reinstatement of the copper tax when it is clearly unnecessary for the protection of American producers would also have an adverse effect on our relations with friendly foreign countries which export copper to us, principally Chile. This would be particularly unfortunate at a time when we are looking to countries in Latin America to provide us with a substantial part of the strategic materials required for the defense effort and our strategic stockpile.

Sincerely yours,

BEN H. BROWN, Jr.,
Acting Assistant Secretary.

GENERAL SERVICES ADMINISTRATION,
Washington, January 28, 1953.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

DEAR SENATOR: In response to your request, this is to inform you that this Administration has no objection to the enactment of H. R. 568 recently passed by the House and now pending before your committee.

Likewise, I wish to endorse this bill in my capacity as Administrator of Defense Materials Procurement Agency. From our study of the raw materials requirements it is, in our opinion, most necessary that nothing be done to impede the free flow of copper to the industry of this country.

In view of the exigency of the situation, this statement has not been cleared with the Bureau of the Budget.

Respectfully yours,

JESSE LARSON, *Administrator.*

STATEMENT

Submitted on behalf of the following-named United States copper producers:

Calumet and Hecla Consolidated Copper Co. (Michigan)
Castle Dome Copper Co. (Arizona)
Copper Canyon Mining Co. (Nevada)
Copper Range Co. (Michigan)
Magma Copper Co. (Arizona)
Miami Copper Co. (Arizona)
North Carolina Exploration Co. (North Carolina)
Phelps Dodge Corp. (Arizona and Texas)
Quincy Mining Co. (Michigan)
Tennessee Copper Co. (Tennessee)
Vermont Copper Co. (Vermont)

There is pending before the Senate Finance Committee H. R. 568 which recently passed the House of Representatives and that has for its purpose the continuance until June 30, 1954, of the suspension of certain import taxes on copper, which suspension is now in effect but expires February 15, 1953.

Inasmuch as Public Law 38, Eighty-second Congress, now in effect and sought to be extended, provides for the reimposition of such import taxes should the price of copper fall below 24 cents per pound for a period of one calendar month, and inasmuch as it appears that the United States will have to depend on foreign copper to supplement the domestic supply to meet current national defense and domestic requirements, and the proposed suspension is for a limited period of time, the above-mentioned domestic copper producers wish to be recorded by your committee as not opposing the prompt enactment of H. R. 568 in the form and language as approved by the House of Representatives.

ARIZONA COPPER TARIFF BOARD,
Globe, Ariz., January 30, 1953.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
United States Senate, Washington 25, D. C.

DEAR SENATOR MILLIKIN: There is pending before your committee H. R. 568, which recently passed the House of Representatives. This bill has for its purpose the continuance, until June 30, 1954, of the suspension of certain import taxes on copper, which suspension is now in effect in accordance with Public Law 38, Eighty-second Congress.

The Arizona Copper Tariff Board wishes to be recorded by your committee as favoring the prompt enactment of H. R. 568 in the form as passed by the House of Representatives.

Respectfully yours,

SAM H. MORRIS, *Chairman.*

W. R. GRACE & CO.,
New York, January 23, 1953.

Re: H. R. 568.

Hon. EUGENE D. MILLIKIN,
United States Senate, Washington, D. C.

MY DEAR SENATOR MILLIKIN: The Senate Finance Committee is thoroughly aware of the importance of continued importation of copper to our shores. For many years you have had this subject before you and we need not now go into great detail. We understand that the present law suspending the import taxes on copper will expire February 15, 1953, and we wish to signify through this letter our complete support of your proposal that legislation be passed continuing the suspension of import taxes on copper until June 30, 1954.

Forty dollars per ton import tax on copper is an important factor, obviously, when the United States must import some 40 percent of its copper requirements. Even more important, however, is the preservation of continuity of suspension. The break of even a day or two can be of vital significance to our situation with respect to Chile, which is the chief source of American copper imports. We cannot possibly afford to lose our traditional copper sources to new foreign competition. It is easy to realize that when transshipment requires from 18 to 21 days, importers must know just what their status is so that contracts and prices can reflect the objective of a constant and uninterrupted flow of copper.

The friendly relations between the United States and the Republic of Chile not only should be encouraged, but are essential to the common welfare of all of us. Our company has sought always to maintain amicable relations with business interests throughout South America and we value the good will of Chile in highest terms. Our interest in Chile is, naturally, not subordinate to our interest in the welfare of the United States, but on the contrary, we consider that the continuation of the suspension of the import tax on copper is to the greatest advantage of the United States and her allies at this time.

Therefore, Senator Millikin, we want you to know of our wholehearted support of the legislation which has been referred to your committee. It is to be hoped that expedited action can send the measure through the Senate for ultimate action well in advance of the February 15 deadline.

We remain with esteem and best wishes,

Faithfully yours,

JAMES H. STEBBINS.

UNITED STATES TARIFF COMMISSION
Washington

JANUARY 28, 1953.

MEMORANDUM FOR THE SENATE COMMITTEE ON FINANCE ON H. R. 568, EIGHTY-THIRD CONGRESS, TO CONTINUE UNTIL THE CLOSE OF JUNE 30, 1954, THE SUSPENSION OF CERTAIN IMPORT TAXES ON COPPER

H. R. 568 would amend the act of May 22, 1951 (Public Law 38, 82d Cong.), so as to continue until June 30, 1954, the suspension of certain import taxes on copper imposed under section 3425 of the Internal Revenue Code. It would continue in effect the provision in Public Law 38 that the President shall revoke the suspension of the import taxes before the specified termination date if the average price of electrolytic copper for any calendar month falls below 24 cents per pound. It would eliminate the provision of Public Law 38 that the suspension shall terminate with the termination of the national emergency proclaimed by the President on December 16, 1950.

Tariff status.—Import taxes on copper have been suspended by congressional action for most of the period since April 1947. Public Law 42, Eightieth Congress, suspended these taxes from April 30, 1947, through March 31, 1949; Public Law 33, Eighty-first Congress, extended the suspension through June 30, 1950; Public Law 38, Eighty-second Congress, suspends the import taxes from April 1, 1951, through February 15, 1953. Although the suspension of the import taxes on copper did not become effective until April 30, 1947, most of the large imports which entered during the war period were for the account of the Government and were entered free of tax. The import tax on the copper content of copper-bearing scrap metal has been suspended by legislative enactments continuously since March 1942; the latest such enactment, Public Law 535, Eighty-second Congress, extended this suspension from June 30, 1952, to June 30, 1953. Thus, irrespective of the action taken on H. R. 568, the import tax on the copper content of copper-bearing scrap would be suspended until June 30, 1953.

The import taxes on copper, the suspension of which would be continued with the enactment of H. R. 568, applies to 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 silver, and phosphor copper), but excluding copper sulfate and composition metal which is suitable both in its composition and shape, without further refining or alloying, for processing into castings.

The import tax on refined copper and on copper-bearing ores, which represent the principal forms in which copper is imported, amounts to 2 cents per pound on the copper content. The import tax on these 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 (Geneva agreement) the United States reduced this tax by 50 percent, effective March 16, 1949.

Postwar copper shortage.—Copper has been in short supply in the United States in most of the period after World War II primarily because of the large demand for the metal for the sustained high level of civilian production, for rearmament of the United States and its allies, and for strategic stockpiling. Before World War II, United States production of copper was sufficient to supply the domestic demand and to permit exportation of sizable quantities. (See attached table.) Since the war, despite a substantial increase in production (both in actual quantity and in proportion to the world total), United States copper requirements expanded to such a large extent that the country has depended upon imports to supply a substantial part of the total requirements. Although United States copper production in 1951 was 48 percent above the average annual output during 1935–39, United States copper consumption had increased during the same period by 111 percent. Whereas in the immediate prewar years the United States accounted for 52 percent of the total world copper consumption, in 1951 it consumed 59 percent of the total.

The problem of adequate copper supplies became acute in connection with the armament expansion program undertaken after the outbreak of hostilities in Korea in 1950. A world shortage of the metal led to international cooperation for the distribution and use of the free world supplies of primary copper beginning with the fourth quarter of 1951. In recent quarters the United States has imported copper virtually to the limit of its entitlement as recommended by the International Materials Conference. Copper consumption in the United States averaged 155,000 tons per month in 1951 and 147,000 tons per month in the first 11 months of 1952. Prices paid for copper by United States consumers are at the highest level since World War II.

Copper prices.—Pursuant to the General Ceiling Price Regulation established by the Office of Price Stabilization (which became effective January 26, 1951), the ceiling price for each seller of copper has been the highest price at which copper was sold in the United States from December 19, 1950, to January 25, 1951, inclusive. In effect this regulation established a ceiling for most large sellers of domestic copper of 24.5 cents a pound for electrolytic copper, delivered Connecticut Valley. The price of 24.5 cents a pound for domestic copper has prevailed in the United States from October 2, 1950, to the present day. It is estimated that about 90 percent of the domestically produced copper is now sold at this price. The price ceilings on the remaining 10 percent of the domestic copper are above 24.5 cents a pound.

Since about mid-1951 United States consumers have paid considerably more than 24.5 cents a pound for foreign copper. Most of the foreign copper consumed in the United States is imported from Chile from mines owned by United States concerns. As a result of an agreement in May 1951 between the United States Department of State and the Chilean Government, copper from Chile was sold in the United States at 27.5 cents a pound until June 1952, when the Office of Price Stabilization exempted from price control all sales of foreign copper in the United States. Since mid-1952 copper from Chile as well as from other foreign countries has sold in the United States for 36.5 cents a pound (equivalent electrolytic grade, delivered Connecticut Valley).

Foreign copper from northern Rhodesia, the Belgian Congo, and Canada, the largest producers of copper outside the United States, Chile, and the U. S. S. R. is sold mostly to the United Kingdom and Belgium. Since about August 1952 this copper has been sold at about 33.5 cents apound.

On July 1, 1952, the OPS increased the ceiling prices on copper and brass mill products to enable the fabricators to pass on, in the form of higher prices on these products, 80 percent of the 12-cent higher cost of foreign copper used.

United States net imports of copper increased substantially since mid-1952—from about 19,300 tons per month in the second quarter of 1952 to about 48,700 tons per month in the third quarter of 1952; in October and November 1952, the last months for which data are available, imports averaged 45,500 tons per month. Trade reports indicate that continued heavy imports of copper may be expected in the next several months.

Present situation.—The supply of copper in the United States is still regarded in the trade to be insufficient to meet the demand. Consumers are buying all of the foreign copper available to them even at the high price of 36.5 cents a pound. Over 40 percent of the copper consumed in recent months in the United States has been imported.

Copper is an important material entering into defense production, and it is reported that about one-third of the total consumption is in defense industries. Copper is also needed for the strategic stockpile. The acute shortage of copper in the United States in the last half of 1951, aggravated by loss of domestic production owing to labor disputes, resulted in emergency withdrawals of copper from the strategic stockpile aggregating 55,000 tons. It is understood that very little of the copper withdrawn from the stockpile in 1951 has been replaced.

Outlook.—It seems likely that current conditions will prevail through February 15, 1953, when Public Law 38 expires, and at least for some months afterward. Termination of the suspension of the copper import tax under these conditions would prpbably result in a 2-cent increase in the price of foreign copper to United States consumers. It seems unlikely that, under present conditions of copper supply and demand, the foreign producers would decrease their selling price of copper by 2 cents a pound to offset restoration of the import tax.

How long the shortage of copper may continue is, of course, uncertain. It will depend upon many unpredictable influences, such as changes in the rate of copper consumption for armament and strategic stockpiling, the level of general industrial activity in the United States and elsewhere, the copper-pricing policies put into effect by the United States and Chile, and the speed with which new production facilities are completed. Several large mine development projects are under way, both in the United States and in other countries, that in time will add considerably to total world copper-producing capacity. It is estimated that the projects under development in the United States alone might eventually result in output of 240,000 more tons of copper annually than the United States produced in 1951 (1,427,000 tons).

In event the demand for copper should decline substantially before June 30, 1953, the termination date named in the bill, and the price of domestic copper should also decline, the suspension of the import taxes might be terminated as provided in the proposed legislation. Under these provisions the suspension of the duty would be terminated whenever the average market price of electrolytic copper, delivered Connecticut Valley, is less than 24 cents per pound for any one calendar month.

The attached table shows the United States and world consumption and production of copper and United States imports and exports for selected years before, during, and following World War II.

Unmanufactured copper: World consumption and mine output, and United States consumption, production, imports, and exports, in specified years 1935 to 1952

[1,000 short tons]

Period	Consumption		Production				United States trade	
	World	United States [1]	World smelter output	United States: Primary [2]	United States: Secondary [3]	United States: Total	Imports for consumption	Domestic exports
1935-39 average	1,697	881	2,162	625	342	967	218	324
1943	(4)	1,902	3,037	1,091	428	1,519	746	177
1946	2,401	1,518	2,099	600	406	1,006	354	54
1947	2,691	1,708	2,525	863	506	1,369	454	149
1948	2,807	1,722	2,638	842	505	1,347	485	147
1949	2,583	1,490	2,648	758	354	1,112	567	146
1950	2,960	1,891	2,961	911	485	1,396	600	155
1951 [5]	[6] 3,171	1,857	3,135	931	496	1,427	547	141
1952: [5]								
January-March	(4)	452	(4)	227	117	344	140	36
April-June	(4)	395	(4)	227	110	337	113	55
July-September	(4)	468	(4)	224	94	318	195	49
October-November	(4)	303	(4)	158	58	216	120	29

[1] Data are compiled from statistics on production, imports and exports and changes in producers' and consumers' stocks, and represent approximate consumption plus withdrawals for the strategic stock pile.
[2] Represents smelter output from domestic ores, concentrates, mine-water precipitates and tailings.
[3] Represents copper recovered in all forms from old copper and copper-base scrap.
[4] Not available.
[5] Preliminary.
[6] Partly estimated by applying to U. S. Bureau of Mines data for the previous year the percentage increase shown by data in 1951 Yearbook, American Bureau of Metal Statistics.

Source: Consumption and production data from official statistics of the U. S. Bureau of Mines, except as noted; imports and exports from official statistics of the U. S. Department of Commerce.

The CHAIRMAN. The first witness is Mr. Oscar E. Kiessling of the Tariff Commission who is accompanied by Mr. F. Morton Leonard. Will you come forward, Mr. Kiessling.

STATEMENT OF OSCAR E. KIESSLING, SPECIAL INDUSTRIAL ADVISER TO THE UNITED STATES TARIFF COMMISSION; ACCOMPANIED BY F. MORTON LEONARD, CHIEF OF METALS DIVISION, UNITED STATES TARIFF COMMISSION

The CHAIRMAN. Mr. Kiessling, you are acquainted with the bill before us?

Mr. KIESSLING. Yes, sir.

The CHAIRMAN. Will you please bring to our attention the factual situation that you think we should have in mind in considering this bill. State your name and your occupation to the reporter, please.

Mr. KIESSLING. Mr. Chairman, gentlemen of the committee, my name is Oscar E. Kiessling. My title is special industrial adviser to the United States Tariff Commission. I have with me Mr. F. Morton

Leonard, mining engineer and Chief of the Commission's Metals Division.

We are here, Mr. Chairman, on instruction from the Commission and in response to your request to make available such figures and information as the Commission may have on copper.

We have no prepared statement.

The committee has received previously the Commission's report on H. R. 568, which summarizes the history of legislation suspending the import tax on copper, and which discusses the salient features of the current copper supply situation, the current import situation, and the current price situation.

The CHAIRMAN. Tell us the gist of it, please.

Mr. KIESSLING. Well, very briefly, the import tax on copper has been suspended almost continuously since 1947, except for a brief period from July 1, 1950, to March 31, 1951.

The fact that there was no suspension of the tax during the war does not mean that the tax was effective, because most of our large imports during the war were free for the account of the Government.

With reference to the supply situation, we still apparently have need in the United States for very substantial imports of copper and the Commission believes that this situation will prevail through February 15, 1953, when Public Law 38 expires, and at least for some months afterward.

The CHAIRMAN. Tell us our domestic consumption and production.

Mr. KIESSLING. I shall comment on that briefly in a few moments.

The CHAIRMAN. Very well.

Mr. KIESSLING. With reference to the price situation, at the present time the effective ceiling on domestic copper is 24.5 cents a pound, as against a price being paid for imported copper of 36.5 cents a pound. These prices are the standard prices for electrolytic copper delivered in the Connecticut Valley.

You have before you a five-page leaflet which extends some of the information given in the Commission's statement and which gives the latest information that we have compiled on imports and exports. I shall comment very briefly on some of the salient features of these tables.

(Table No. 1 follows:)

TABLE 1.—*Unmanufactured copper—World consumption and mine output, and United States consumption, production, imports, and exports, in specified years, 1935–52*

[1,000 short tons]

Period	Consumption		Production				United States trade	
	World	United States [1]	World smelter output	United States			Imports for consumption	Domestic exports
				Primary [2]	Secondary [3]	Total		
1935–39 average	1,697	881	2,162	625	342	967	218	324
1943	(4)	1,862	3,017	1,091	428	1,519	736	177
1946	2,401	1,718	2,020	600	406	1,006	351	54
1947	2,694	1,798	2,525	864	501	1,365	453	149
1948	2,807	1,722	2,638	842	505	1,347	485	117
1949	2,563	1,400	2,648	758	384	1,142	567	146
1950	2,980	1,891	2,961	911	485	1,396	620	155
1951 [5]	[6] 3,171	1,857	3,135	931	496	1,427	547	141
1952: [5]								
January–March	(4)	452	(4)	237	117	354	140	36
April–June	(4)	395	(4)	227	110	337	113	55
July–September	(4)	468	(4)	224	94	318	195	49
October–November	(4)	303	(4)	158	58	216	120	29

[1] Data are compiled from statistics on production, imports and exports and changes in producers' and consumers' stocks, and represent approximate consumption plus withdrawals for the strategic stockpile.
[2] Represents smelter output from domestic ores, concentrates, mine-water precipitates and tailings.
[3] Represents copper recovered in all forms from old copper and copper-base scrap.
[4] Not available.
[5] Preliminary.
[6] Partly estimated by applying to U. S. Bureau of Mines data for the previous year the percentage increase shown by data in 1951 Yearbook, American Bureau of Metal Statistics.

Source: Consumption and production data from official statistics of the U. S. Bureau of Mines, except as noted; imports and exports from official statistics of the U. S. Department of Commerce.

Mr. KIESSLING. In table 1, entitled, "Unmanufactured copper—World consumption and mine output, and United States consumption, production, imports, and exports, in specified years 1935–52," I want to call attention to the column on total United States production.

You will note that in the prewar years 1935–39 the average annual total production in the United States was 967,000 tons. In 1951, the latest year for which we have complete information, the total was 1,427,000 tons. This is an increase in domestic production of approximately 48 percent. On the other hand, you will note that in the prewar period 1935–39 the average annual consumption in the United States was 881,000 tons. In 1951, the United States consumption was 1,857,000 tons. This is an increase in United States total consumption of 111 percent as against an increase in domestic production of 48 percent.

Comparing now United States consumption with world consumption, in the prewar period 1935–39, we consumed on the average 52 percent of the world's supply of copper. In 1951 we consumed 59 percent of the world supply of copper. In other words, our position has increased very greatly in importance as a world consumer of copper.

In 1951, the average monthly rate of consumption in the United States was 155,000 tons. For the first 11 months of 1952, the period January through November, the average monthly consumption was 147,000 tons.

You will note also from the last column on United States trade that our position has greatly changed with reference to imports. In the prewar period, we were a net exporter of copper. In the 4 years

1935–39 we imported an average of 218,000 tons of copper per year but we exported an average of 324,000 tons of copper per year.

In the 4 years 1948 to 1951, our imports of copper have ranged between 485,000 tons and 600,000 tons, whereas our exports have averaged only about 150,000 tons a year. In very approximate terms, in the 4 years ending with 1951, we have been a net importer of copper to the extent of roughly 400,000 tons a year on the average.

The next table is entitled "Copper: United States Imports for Consumption, by Kinds and Principal Sources, January–November 1952." This compilation covers the first 11 months of 1952 which includes the latest information available. You will note that Chile is currently by far our most important foreign supplier.

(Table No. 2 follows:)

TABLE 2.—*Copper: United States imports for consumption, by kinds and principal sources, January–November 1952* [1]

Item	All countries	Chile	Mexico	Peru	Canada	Philippine Republic	Cuba	Yugoslavia	Northern Rhodesia	Japan	Other
	Quantity (short tons copper content)										
Ore	18,770	1,569	140	601	503	14,594	222				1,141
Concentrates	81,915	10,116	8,796	7,778	25,829		17,088				12,308
Matte	3,679	481	1,827	649	655	59					8
Blister	156,868	47,389	30,553	17	26,463			8,623	37,639		6,184
Refined	301,570	256,807	5,039	943	25,063			5,509	1	558	7,650
Scrap	4,458		46		403		870			289	2,850
Total	567,260	316,362	46,401	9,988	78,916	14,653	18,180	14,132	37,640	847	30,141
	Foreign value (1,000 dollars)										
Ore	10,347	932	92	321	212	7,974	89				727
Concentrates	44,284	5,293	5,003	4,411	14,577		8,166				6,834
Matte	2,299	298	1,172	383	413	28					5
Blister	95,994	30,250	18,481	8	17,528			4,315	19,503		5,909
Refined	194,687	165,974	3,540	806	15,066			3,422	1	363	5,515
Scrap	2,142		16		192		494			135	1,305
Total	349,753	202,747	28,304	5,929	47,988	8,002	8,749	7,737	19,504	498	20,295

[1] Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

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Mr. KIESSLING. With reference to kinds of imports that we get there has been a change over the long-term period. We used to import principally concentrates, matte and blister.

At the present time a very large proportion of our imports consist of refined copper. This is due to the fact that foreign copper-producing countries have developed their refining industries more extensively, and also to the fact that we are now larger purchasers than we were formerly.

In 1952, for example, out of the 316,000 tons imported from Chile, 257,000 tons consisted of refined copper and 47,000 tons of blister copper.

Most of the copper imported from Mexico is blister, and of the 46,000 tons imported in 1952, roughly 31,000 tons was blister copper.

The CHAIRMAN. Will you please explain the meaning of blister copper?

Mr. KIESSLING. Copper in production goes through various processing operations.

I would like to defer here to Mr. Leonard for a precise technical explanation.

The CHAIRMAN. Just give us a rough idea.

Mr. KIESSLING. Blister copper is copper which has been advanced in a state of manufacture but is not yet ready for industrial use because it contains impurities and requires further refining either by electrolysis or by fire refining.

The CHAIRMAN. It is metallic copper that requires further processing?

Mr. KIESSLING. It requires further processing to remove the impurities.

The CHAIRMAN. To make it a commercial product?

Mr. KIESSLING. Yes, sir.

The CHAIRMAN. Senator Butler——

Senator BUTLER. I am sorry I haven't been able to hear all of the gentleman's statement but I did get some of it. Where you are quoting the figures on the world output and the world use, I did get that.

In those figures do you take into consideration the production or the use behind the iron-curtain countries, or does this exclude that?

Mr. KIESSLING. These figures are presumably the total figures on the world use. However, they include, or there necessarily is a large degree of conjecture as to what the production in the Soviet Union is.

If you will defer for a few moments, Senator, I will come to a world table at the end of this statement in which I will point out the extent to which we have figures and their limitations.

Senator BUTLER. Very well.

Mr. KIESSLING. The imports we receive from Canada are about equally divided among concentrates, blister, and refined copper. In 1952—that is in the first 11 months—we got about 25,000 tons in each of these forms from Canada.

(Table No. 3 follows:)

TABLE 3.—*Copper (ore, concentrates, matte, blister, scrap, and refined): United States production, exports, and imports (total and by principal sources), 1929–51*

Year	Production [1]	Domestic exports [2]	Imports [3] All countries	Imports [3] Chile	Imports [3] Mexico	Imports [3] Peru	Imports [3] Canada
	Quantity (1,000 short tons of copper content)						
1929	1,405	433	487	169	85	62	103
1930	1,039	314	409	104	73	56	109
1931	782	236	293	85	55	45	80
1932	453	145	196	55	38	23	59
1933	485	162	144	28	43	26	17
1934	555	291	199	67	46	31	21
1935	743	278	241	83	48	35	41
1936	994	237	184	62	32	33	21
1937	1,244	320	227	93	41	39	10
1938	830	393	206	65	36	38	29
1939	1,000	390	231	71	45	36	25
1940	1,244	364	365	170	36	35	29
1941	1,379	107	[4] 721	454	64	34	58
1942	1,515	[5] 136	[4] 782	536	56	37	40
1943	1,521	[5] 177	[4] 736	485	54	33	34
1944	1,460	[5] 68	[4] 764	545	45	32	59
1945	1,280	[5] 49	[4] 896	450	76	33	93
1946	1,006	54	[4] 354	202	42	22	25
1947	1,369	149	453	222	102	38	24
1948	1,347	147	485	318	57	17	35
1949	1,141	146	567	289	65	25	86
1950 [6]	1,396	155	600	281	47	17	78
1951 [6]	1,427	141	537	277	55	18	52
	Value (1,000 dollars)						
			Foreign value				
1929	508,610	155,048	153,443	56,913	25,809	17,936	32,053
1930	270,140	83,453	104,369	24,285	17,785	12,350	29,736
1931	126,684	43,621	48,624	14,170	9,286	6,986	14,402
1932	50,736	17,024	23,653	6,703	4,467	2,377	7,901
1933	67,900	21,808	17,501	3,400	4,698	3,374	2,448
1934	93,240	44,179	27,652	9,556	5,769	4,349	3,290
1935	123,338	42,628	33,120	11,661	6,126	4,916	6,082
1936	182,896	43,405	29,770	9,979	4,972	5,753	3,680
1937	301,048	82,147	52,403	21,729	9,083	9,906	2,497
1938	162,680	77,809	37,755	11,747	6,181	7,133	5,770
1939	208,000	85,633	44,086	13,771	7,970	7,331	4,999
1940	281,144	83,447	73,352	35,031	7,129	7,719	5,654
1941	325,444	24,078	[4] 141,621	89,136	11,861	7,103	11,973
1942	366,630	[5] 30,816	[4] 164,490	116,219	10,271	8,194	8,919
1943	395,460	[5] 37,193	[4] 155,733	107,786	10,904	7,611	7,475
1944	394,200	[5] 13,696	[4] 164,946	121,082	9,397	7,207	13,918
1945	345,600	[5] 10,471	[4] 194,406	98,061	15,263	7,774	22,637
1946	325,944	14,393	[4] 85,503	50,202	9,642	5,655	6,640
1947	573,720	60,788	175,369	87,645	37,976	15,638	9,926
1948	584,598	65,066	200,356	133,024	23,675	7,425	15,524
1949	446,550	60,379	218,141	109,661	24,334	9,549	33,892
1950 [6]	580,970	61,504	232,825	113,680	18,138	6,734	31,714
1951 [6]	691,192	75,913	270,725	143,609	26,865	8,519	26,652

[1] Represents smelter output from domestic ores, concentrates, mine-water precipitates, and tailings, plus copper recovered in all forms from old scrap. Values have been calculated approximately on the basis of weighted annual averages of prices f. o. b. refinery, received for refined copper deliveries as reported to the U. S. Bureau of Mines; the averages have been adjusted to include premium payments for copper by the Office of Metals Reserve during 1942-47.

[2] Includes withdrawals from bonded warehouses of tax-free copper imported and treated by domestic smelters and refineries for export.

[3] General imports 1929-33 and imports for consumption, 1934-51. Includes tax-free imports for smelting or refining and export and also imports for consumption in the United States.

The next table is entitled "Copper (ore, concentrates, matte, blister, scrap, and refined): United States production, exports, and imports (total and by principal sources), 1929–51."

This table traces the long-term developments with reference to imports of copper into the United States and compares these imports with United States production and United States exports.

You will note that in the immediate prewar years, Chile ordinarily sent to the United States somewhere between 60,000 and 90,000 tons annually. On the other hand, in the 4 years 1948–51 shipments of Chilean copper to the United States ranged from 277,000 tons to 318,000 tons annually. In other words, Chile has become a very important supplier of the United States.

The position of Mexico has increased somewhat in importance in terms of absolute quantity but decreased in terms of relative quantity. In immediate prewar years, Mexico sent us from 32,000 to 45,000 tons annually. During the 4 years 1948–51 Mexico supplied from 47,000 tons to 65,000 tons annually.

The CHAIRMAN. I notice there in 1947 there are 102,000 tons. Am I reading that correctly?

Mr. KIESSLING. That is correct.

The CHAIRMAN. Was there any particular reason for that rather large increase that year and rather large decrease the next year?

Mr. KIESSLING. I am not acquainted with the reason for that rather pronounced change.

Do you have any comment on it?

Mr. LEONARD. No, I have no comment.

Mr. KIESSLING. The difference between imports of 76,000 tons in 1945 and 102,000 tons in 1947 is not as great, of course, as between

[4] Includes imports free of tax for U. S. Government use as follows:

Year	1,000 short tons	1,000 dollars
1941	347	68,371
1942	636	137,645
1943	614	135,515
1944	699	154,241
1945	834	183,388
1946	256	63,467

[5] Includes exports under lend-lease, as follows:

Year	1,000 short tons	1,000 dollars
1942	98	23,246
1943	81	19,973
1944	33	6,953
1945	4	1,060

[6] Preliminary.

NOTE.—In addition to the tax-free imports indicated in notes 3 and 4 above, the copper content of materials imported from Cuba (ranging from 6,000 to 15,000 tons per annum) and negligible quantities imported from the Philippine Republic were entered tax-free under the special treatment accorded to imports from those countries. Also beginning on Mar. 14, 1942, the import-excise tax was suspended on copper scrap and effective Apr. 30, 1947, the import-excise tax on all other products was also suspended.

In addition to the countries shown in the table the Belgian Congo was an important source of imports during the war years; copper content of products imported from that country during 1941–45 ranged from 28,000 to 83,000 tons per year.

Source: Production, official statistics of the U. S. Bureau of Mines, except as noted; exports and imports, official statistics of the U. S. Department of Commerce.

the 1947 imports compared with those in 1946. It looks as though the shipments from Mexico in 1946 were unduly low and that in 1947 they were unduly high; this could be largely a statistical result brought about by the way we keep our statistical records—the shipments might have actually been in the United States in 1946 but were not entered on the books as imports until released for consumption in the United States in 1947.

Canada has increased in importance as a supplier of copper to the United States. In the immediate prewar years it supplied from 21,000 to 29,000 tons annually, In the 4 years 1948–51 Canada sent us from 35,000 tons to 86,000 tons annually.

Senator BUTLER. What is their potential up there?

Mr. KIESSLING. Would you like to comment on that, Mr. Leonard?

Mr. LEONARD. I am F. Morton Leonard, Chief of the Metals Division, United States Tariff Commission.

There is extensive general development of metal mining in Canada and also there is considerable effort to increase the production of nickel which occurs in the outstanding mine of Canada in combination with copper, so that in producing the maximum quantity of nickel, the copper production naturally goes up.

Senator BUTLER. Is copper a byproduct?

Mr. LEONARD. It is a joint product in the operation.

THE CHAIRMAN. The ore itself is a complex of copper and nickel?

Mr. LEONARD. Yes, it has copper and nickel and precious metals.

THE CHAIRMAN. Where are the principal producing mines of Canada?

Mr. LEONARD. International Nickel is in Ontario. There are some other mines in the east and some fairly important mines in British Columbia.

The CHAIRMAN. Senator Butler was interested in their potential. Do they have a sizable potential?

Mr. LEONARD. The mining industry in Canada is getting a great deal of encouragement from the Government and mineral output in general is increasing pretty rapidly.

Senator BUTLER. How do they provide for that Government assistance?

Mr. LEONARD. Their tax laws are favorable and taxes are not collected for several years after a property is opened up. There is every encouragement for prospecting.

Senator BUTLER. Do they have a domestic price and world price up there? Are they on a two-price basis like we are?

Mr. LEONARD. I don't think so.

The CHAIRMAN. Do they give any advantages other than tax advantages that you can think of?

Mr. LEONARD. Tax advantages and the encouragement of prospecting.

The CHAIRMAN. Tax advantage comes about through the tax treatment of prospecting expense?

Mr. LEONARD. Tax treatment of mining expense and prospecting expense, yes.

Mr. KIESSLING. The table on the last page of the leaflet summarizes world mine production, by principal countries. This is information that Senator Butler was concerned with a few moments ago.

(Table No. 4 follows:)

TABLE 4.—*Copper: World mine production, by principal countries, in specified years, 1935 to 1951*

[In thousands of short tons of copper in ores mined]

Country	1935	1936	1937	1938	1939	1943	1946	1947	1948	1949	1950 [1]	1951 [1]
United States	380	615	842	558	728	1,091	609	847	835	752	909	926
Canada	209	211	261	286	304	288	184	226	241	264	262	270
Mexico	43	33	51	46	49	55	67	71	65	63	67	74
Cuba	8	12	14	16	11	7	12	18	18	19	23	22
Chile	294	282	455	387	373	561	396	470	494	404	397	418
Peru	33	37	39	41	39	37	27	25	20	31	33	35
Northern Rhodesia	189	191	276	281	276	281	205	217	250	286	328	351
Belgian Congo [2]	118	105	166	137	135	173	159	166	171	156	194	211
Union of South Africa	12	10	12	12	12	25	33	36	42	44	50	37
Japan	85	86	106	112	119	104	19	24	28	36	43	46
Australia	19	21	21	22	22	27	20	15	14	14	16	18
India	12	10	8	6	(3)	8	7	6	7	7	8	8
Soviet Union [2]	67	91	104	126	158	143	165	181	198	220	240	(3)
Yugoslavia	46	44	47	55	71	[2] 30	36	45	58	37	44	35
Germany [4]	30	30	30	33	33	24	[5] 22	19	(3)	(3)	(3)	(3)
Sweden	7	9	8	10	12	20	17	14	16	18	18	15
Norway	22	25	22	24	22	18	14	16	17	8	17	15
Finland	13	13	13	13	13	18	15	17	20	21	17	30
Spain	33	33	31	33	11	12	9	7	6	7	7	7
Turkey [2]	.....	.....	1	3	7	11	11	11	14	14	15	13
All other	25	45	66	73	22	54	12	36	56	65	61	373
Total	1,645	1,903	2,375	2,274	2,416	2,987	2,039	2,404	2,570	2,463	2,749	2,904

[1] Preliminary.
[2] Smelter product.
[3] Estimated by Bureau of Mines and included in "all other" and "total."
[4] Includes Austria, 1938-43.
[5] British and Russian zones only.

Source: Official statistics of the U. S. Bureau of Mines.

I do not believe there is anyone who really knows what the production of copper in the Soviet Union is, and hence the figures for that country given in the table are largely estimates. On the basis of the information which is available, you will note that the United States ranks by far in the first position. In 1951, it produced 926,000 tons of newly mined copper.

The second-ranking country is Chile, which produced 418,000 tons in 1951.

The third-ranking country is Northern Rhodesia, which produced 351,000 tons.

The CHAIRMAN. They have copper sands over there; do they not?

Mr. LEONARD. No, sir; they are large deposits.

The CHAIRMAN. Are they vein deposits?

Mr. LEONARD. Veins and contacts.

Senator BUTLER. Would it be possible to give us any conjecture at all upon the potential over there?

Mr. LEONARD. I have some figures on reserves. It will take a minute for me to hunt them up.

Mr. KIESSLING. The fourth-ranking country is Canada, with 270,000 tons.

Now, somewhere between third and fifth falls the Soviet Union. We don't know where, and the best guesses that anybody was able to make for the years 1949 and 1950 were that the Soviet production for those years ranged somewhere between 220,000 tons and 240,000 tons. No estimate is available for 1951.

The CHAIRMAN. Does the Soviet production filter out so that it affects our own problem?

Mr. KIESSLING. It does not seem to.

The fifth-ranking country is the Belgian Congo, with 211,000 tons.

The other countries are smaller producers, and those that are of particular interest from the United States standpoint are Mexico, which in 1951 had an output of 74,000 tons, and Peru, which in 1951 had an output of 35,000 tons.

That more or less summarizes the salient features of the additional statistical material that we prepared which we thought would be of interest to the committee, Mr. Chairman.

The CHAIRMAN. You are not authorized to discuss the policy that is involved?

Mr. KIESSLING. That is correct. We confine ourselves to factual material.

The CHAIRMAN. Any questions, Senator Butler?

Senator BUTLER. No questions, Mr. Chairman.

The CHAIRMAN. Senator Flanders——

Senator FLANDERS. I don't know whether it is appropriate to come from the Tariff Commission or some other witness, but I would like to know whether the foreign price is or is not a free market price. At the appropriate time and with the appropriate witness, I would like to make that inquiry.

The CHAIRMAN. Can you answer that question?

Mr. KIESSLING. I can comment on it, Mr. Chairman.

Senator BUTLER. Officially or unofficially?

Mr. KIESSLING. The information is commonly discussed in the trade press. In general, the foreign price—that is, the Chilean price or the price that the United States purchasers of Chilean copper pay—is determined by an arrangement with the Chilean Government.

Senator FLANDERS. But does that Chilean price extend over the whole of this other production from Rhodesia, the Belgian Congo, and all the other places? Is it a veritable world market price set by world market conditions?

Mr. KIESSLING. The copper from Rhodesia goes largely to London for sale, and the information which is available indicates that the British at the present time are paying 33.5 cents a pound for that copper, as against the 36.5 cents we are paying for the Chilean copper.

Senator FLANDERS. Where does the Belgian Congo copper go?

Mr. KIESSLING. It goes to Belgium, principally.

Senator FLANDERS. Then there is not a free price in the whole set-up. We have no free market price.

Mr. KIESSLING. You have these different prices and you doubtless can conclude as to whether they are free market prices or not.

Senator FLANDERS. We have Peruvian prices channeled through the United States purchase. You have Rhodesian prices channeled through British Government purchase. You have Belgian prices channeled through Belgian prices, and that takes care of the principal production of the world, and on the face of it there would not seem to be a minute trace of free market price in the whole lot.

Senator BENNETT. Will the Senator yield?

Senator FLANDERS. Yes.

Senator BENNETT. What is the Canadian price? Is that free?

Mr. KIESSLING. Do you know whether that is free, Mr. Leonard?

Mr. LEONARD. Part of the copper comes to the United States and part of it goes to Europe, and the prices which are prevailing in the United States for foreign copper would undoubtedly apply to the

Canadian copper that would come here, and presumably the United Kingdom price would prevail on that portion which goes to Europe.

Senator BENNETT. Does that mean we pay the Chilean price for Canadian copper?

Mr. LEONARD. I think it is lower.

The CHAIRMAN. What was your answer?

Mr. LEONARD. I say I think it is lower.

Senator FLANDERS. It would seem to me offhand that any endeavor we might make to free the copper price of any control is stillborn. It is dead before it gets started under present conditions. There is no free market in copper. That is what I get out of this conversation.

Now, let us get down to the next thing, which is the thing before us. Is this 2-cents-a-pound duty, when it is restored, to be paid on 36.5-cents-a-pound copper from Chile.

Mr. KIESSLING. Presumably it would be under current conditions.

Senator FLANDERS. Making it 38.5 cents?

Mr. KIESSLING. As long as we need as much imported copper as we do, it seems unlikely that the Chilean Government would absorb the 2 cents in terms of lower revenues, and that presumably Chile would insist on obtaining the 36.5 cents. In that event the 2 cents would be added to the cost to United States purchasers.

Senator FLANDERS. What is the effect of raising the price of Chilean copper by the 2 cents duty? What is the effect of that on our 24.5-cent price for domestic production? How does it alter that?

Mr. KIESSLING. The present 24.5-cent price, which applies to about 90 percent of the domestic production, is the ceiling price, which presumably would continue, unless changed by the OPS, until price control is terminated.

The President in his speech yesterday apparently suggested that controls would end on April 30.

At the present time the domestic copper fabricators are permitted ceiling prices which reflect 80 percent of the difference between the domestic price and the higher foreign price. If the price were increased to 38.5 cents a pound, there would be an additional amount under this rule which the domestic fabricators would be permitted to add to present ceiling prices.

Senator FLANDERS. There seems to be, in the description I have heard to this moment, no question of the effect of supply, by the application of the tariff or the taking off of the tariff. That would not seem to affect the supply at all. Am I right in that?

Mr. KIESSLING. I am not sure that I understand your question, Senator.

Senator FLANDERS. There is no question of supply and demand so far as I can see in the thing. If we allow the 2 cents a pound to go on, that does not decrease the demand so long as the supply is not up to the demand. Is that true: that the supply is not quite up to the demand?

Mr. KIESSLING. That seems to be the current situation in the United States in view of the fact that we are importing over a half million tons a year.

Senator FLANDERS. I am trying to figure out what unfortunate results would come from allowing the 2 cents to go on again, other than the comparatively slight increase in copper and brass products to the American public.

Mr. KIESSLING. Yes; I think that is the question before the committee and the Congress.

Senator FLANDERS. That is the question before the committee. I do not see that there is any question as to what it does in the way of producing an unfavorable effect in spurring or stimulating our domestic search for copper. I do not see any effect, really, other than that of slightly raising the cost of brass and copper goods to the purchasing public and to the Government. Nor do I see right this minute, unless that 2 cents is put onto the 24.5-cent ceiling, any favorable or unfavorable results on the domestic copper-mining industry.

It seems to be, 100 percent, a question of whether the American people and the American Government are willing to pay 2 cents more.

The CHAIRMAN. Senator, do you not think the ceiling is a restriction on the domestic production of copper?

Senator FLANDERS. The ceiling of 24.5 cents, yes; but that is an arbitrary ceiling. If we want to talk about assisting the domestic production of copper, we would not be working on this 2-cents-a-pound basis as I see it, but would just say that under some arrangement or some provision, the search for new sources of copper would be encouraged by the Government. Perhaps by the means described in Canada, or by setting a higher ceiling on our domestic production, on some basis of new companies, or making it universal, or what have you.

I do not understand this copper duty as anything but a question as to whether we want to pay 2 cents a pound more.

The CHAIRMAN. The copper-duty matter does involve paying 2 cents a pound more to some extent, but it is not an exclusionary tariff, even when it is on. It would take a much higher tariff to equalize the costs in this country and the rest of the world, if we are thinking of a fair, competitive tariff.

Senator FLANDERS. As long as it makes no difference to the 24.5 cents a pound I do not see what difference it makes toward encouraging our domestic copper supply.

The CHAIRMAN. Senator Johnson?

Senator JOHNSON. No questions.

The CHAIRMAN. Senator Hoey?

Senator HOEY. We pay to Chile 36.5 cents a pound. Now the ceiling is 24.5. Do you think raising the ceiling would tend to increase domestic production?

Mr. KIESSLING. Is it not axiomatic that when you increase the price of the commodity you stimulate the output?

Senator HOEY. I do not know how much there is to get in the output and all. I just wondered whether or not if the ceiling was raised for the production of domestic copper whether or not it would tend to increase domestic production.

Mr. KIESSLING. Every mine has a range in the grades of ore it contains. There are grades of ore that can be produced at different levels of prices and the higher the price the more of the marginal grade ores you can produce. Conceivably you could have the price so high that production would be uneconomic in a country compared with what you could buy the material for in the world market. For example, in Virginia there is a lot of clay which has a certain percentage of aluminum. If you were willing to pay the price you probably could extract it, but the cost would be too great compared with prices of aluminum obtained from present sources. But even in the going mines—and those are the ones we are talking about—you have a range in grades of ore that you can produce at different prices, and the higher the price, generally speaking, the more metal you can produce.

Senator HOEY. We are paying 36.5 cents to Chile as against 24.5 cents to our own producers.

Mr. KIESSLING. Yes.

Senator HOEY. Is there any reason why the ceiling should not be raised to the domestic producers?

Mr. KIESSLING. That is a problem for the Congress and is not in our province.

The CHAIRMAN. You confined your testimony to existing mines. Would you not say that the higher the price the more you stimulate exploration?

Mr. KIESSLING. That is correct.

The CHAIRMAN. Senator Malone, I imagine that you want to ask quite a few questions. If you do not mind I will ask Senator Bennett and Senator Carlson if they have questions.

Senator Carlson.

Senator CARLSON. I have no questions.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. My questions have already been asked.

The CHAIRMAN. May I ask the distinguished Senator who is our guest whether he wishes to say anything?

Senator BUSH. Mr. Chairman, I wanted to make a very short statement of about 2 minutes and file it with the committee, if that is in order.

The CHAIRMAN. Go ahead, please.

STATEMENT OF HON. PRESCOTT BUSH, A UNITED STATES SENATOR FROM THE STATE OF CONNECTICUT

Senator BUSH. Mr. Chairman, I respectfully urge the committee to report favorably on H. R. 568.

It is seldom a tariff question is as simple as this.

The domestic production of copper over the 11 years 1940–51, averaged a little over 1,000,000 tons per annum. The domestic consumption averaged 1,500,000 tons.

Currently, too, we produce about 1,000,000 tons a year, and our requirements are much larger—probably at the rate of about 1.5 million tons per year.

Thus, with the absolute necessity of encouraging the importation of copper, nearly one-third of our requirements being produced abroad, it would seem almost suicidal to allow a duty on copper to be reinstated.

We have here, gentlemen, a perfect case. The interests of the national defense program, of labor, of management, the State Department, and Connecticut and America. They all merge in suggesting your decision favorable to this bill.

I will not dwell on the importance of the bill to our relations with Chile, Canada, and Mexico which are affected here. No doubt others have done that.

However, I will stress my belief that the bill is essential to the well-being of all copper fabricators and all workingmen and labor unions connected with the copper-using industry.

In my own State, Connecticut, a recognized center of that industry, the jobs of thousands of workers are dependent upon the maintenance of adequate supplies of this metal. That could also be said for many other States. In fact, the American standard of living depends in large part upon the existence of adequate supplies of copper.

Most important, of course, is the interest of the consumers and taxpayers, and here also there can be no reason to doubt that their interests would be best served by passage of H. R. 568. The reimposition of a 2-cent tariff when the world market is 50 percent above the domestic price could only do harm and no good whatsoever. So, as I suggested earlier, gentlemen, this is as nearly a perfect case as I can imagine and I earnestly urge your approval of the bill.

The CHAIRMAN. Thank you very much, Senator.

Senator JOHNSON. I have two questions I want to ask.

Does the United States stockpile any copper?

Mr. KIESSLING. It does. It stockpiles copper and in 1951 we had to withdraw 55,000 tons of copper from the stockpile in order to meet an emergency situation. So far as we know, not a great deal of this copper has been replaced in the stockpile. We are not in a position to discuss the stockpiling program and the committee doubtless can obtain this information, which is pretty largely confidential, from the agency which does the stockpiling.

Senator JOHNSON. You are not permitted to state the amount in the stockpile of copper?

Mr. KIESSLING. That is correct, but there have been official statements that copper is still needed for stockpiling.

Senator JOHNSON. Was the stockpile of copper from our domestic production or from our importations?

Mr. KIESSLING. Presumably from both.

Senator JOHNSON. Is our military use of copper entirely from our domestic production?

Mr. KIESSLING. I think it is from both. The copper, both foreign and domestic, is processed by the copper fabricators in the United States.

Senator JOHNSON. Who decides whether a fabricator is going to pay 24.5 or 36.5 cents? It must make a great difference if a fabricator can buy domestic copper at one price and foreign copper at another. I can see where this question of an excise tax becomes very important.

Does the Government for its military use use some of the 36.5-cent copper? You say it does, I believe. Why do they not use all 24.5-cent copper?

Mr. KIESSLING. My understanding is—and I think the committee might wish to obtain precise information from the officials in charge of allocations—my understanding is that copper is allocated and that it is allocated to fabricators on the ratio of 40 percent foreign, 60 percent domestic. At the present time, you will recall that foreign copper represents roughly about 40 percent of the current consumption.

Senator JOHNSON. And the price goes with that allocation?

Mr. KIESSLING. That is right. The fabricator then has an average price for copper used in all articles which has been calculated on a weighted basis of about 29 cents a pound.

Senator JOHNSON. And the military operates on that same basis also, 60–40?

Mr. KIESSLING. I cannot testify on how the military operates.

Senator JOHNSON. Are you unable to testify because of security reasons?

Mr. KIESSLING. No, it is not within our province. We do not follow it.

Senator JOHNSON. You do not know about it?

Mr. KIESSLING. That is right.

Senator JOHNSON. That is all, Mr. Chairman.

The CHAIRMAN. Did you want to make some inquiries on that?

Senator JOHNSON. I think it is very important, if we are going to know all about this question that we have that information. I do not want to get any information that ought not to be given to us on a security basis but it seems that that highlights the whole question here. The reason I am asking these questions is because of the questions that Senator Flanders has asked.

The CHAIRMAN. Senator Butler——

Senator BUTLER. Mr. Chairman, I have in mind practically the same questions that have been asked by Senator Johnson but I wanted to approach it in just a little different way.

I would like again the total domestic output in this past year. The last one that you have.

Mr. KIESSLING. We do not have the figures for December 1952.

Senator BUTLER. Well, I would like to have it approximately.

Mr. KIESSLING. We have indicated in table 1, in the column under "United States Production," the total domestic output in the first quarter which was 344,000 tons and in the second quarter it was 337,000 tons. In the third quarter it was 318,000 tons and in October and November it was 216,000 tons.

Senator BUTLER. It would be safe to assume that it was about the average of the other three quarters which would be around 330.

Mr. KIESSLING. Very possibly the total would be about the same in 1952 as it was in 1951. It would be about 1,400,000 tons.

Senator BUTLER. Very well, we will put that down. 1,400,000 tons domestic production.

Now during about the same time, what was the imported tonnage in round numbers?

Mr. KIESSLING. Very approximately, we imported, in the 11 months of 1952, 570,000 tons.

Senator BUTLER. Let us make the estimate for the 12 months, roughly.

Mr. KIESSLING. Roughly, such an estimate would be 600,000 tons.

Senator BUTLER. Now I want to get a definite answer from somebody as to who gets the advantage of the 24.5-cent copper and who pays the premium for the 36.5-cent copper. That is in substance the question that Senator Johnson has asked, but I would like to get it right down to brass tacks.

Mr. KIESSLING. I can't answer that fully for you. I can point out, in accordance with my previous statement, that the allocation system attempts to distribute the higher cost of foreign copper rather evenly by allocating to fabricators 60 percent domestic copper and 40 percent foreign copper.

Now whether this allocation holds in all cases, or whether it is uneven in spots or not, is something that copper users can tell you more about than I can.

Senator HOEY. Who makes the allocation?

Mr. LEONARD. The National Production Authority.

Senator BUTLER. The remark was made a moment ago that if we increased the domestic price to approximately the cost of imported copper, it would increase the cost-of-living figure.

Now is it possible for you to give us an estimate—I think it could be a very close estimate—of what that increase in the cost of living would be, percentagewise? You may have to take a little time for that but I think it is important to have that in the record.

I want to find out frankly if it is not worth while to protect American industry to the extent of the increased cost to the American people of paying our domestic producers the same price that we pay importers for their copper.

Mr. KIESSLING. Senator Butler, I appreciate your request. However, the Commission does not go extensively into the matter of the cost of living since under the division of responsibilities in Government, the Bureau of Labor Statistics compiles a cost-of-living index which includes various components. If the committee desires, doubtless the experts in that Bureau could determine how much copper entered into the different components of the cost-of-living index and they could probably prepare the compilation Senator Butler desires, but we are not equipped to do it.

Senator BUTLER. Could we do that?

The CHAIRMAN. I see no reason why we could not ask for that.

The CHAIRMAN. Would you mind making an inquiry as to how the Military Establishment handles this allocation of copper and the cost? Perhaps it is a matter that they do not want to talk about. Maybe it is a thing that is easily available. In any event will you make the inquiry, see what you can find out, and send the committee a letter on it?

Mr. KIESSLING. We shall try to answer your question. We think, however, that the purchasing officers of the Department of Defense are in a better position to give you the information.

The CHAIRMAN. There is a matter of judgment as to whom we should make the inquiry to but will you make the inquiry and transmit to this committee what you find out?

Mr. KIESSLING. We will be glad to.

(The following was received in response to the above:)

UNITED STATES TARIFF COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, D. C., February 5, 1953.

The Honorable EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee, United States Senate.

DEAR SENATOR MILLIKIN: During the testimony of Messrs. O. E. Kiessling and F. M. Leonard before your committee on February 3, 1953, you requested that we make inquiry and advise the committee by letter regarding the practice followed by the Military Establishment with reference to allowable costs for copper under contracts for the purchase of copper-bearing articles for defense purposes.

We have taken up your question with the Office of the Vice Chairman for Supply Management of the Munitions Board, and the following information has been made available.

The military establishments generally purchase mill products containing copper, or end products in which copper-bearing mill products are components.

Contracts for the purchase of these products are made on the basis of competitive bidding at or below ceiling prices applicable to such products. Under the present method of materials allocation, mills producing copper-bearing products are allocated 60 percent of their raw copper requirements from domestic sources and 40 percent from foreign sources. Under present price regulations, copper fabricators are permitted ceiling prices which reflect 80 percent of the higher cost of foreign copper (currently 36.5 cents per pound) over the cost of domestic copper (currently 24.5 cents per pound). Thus, where the Military Establishment purchases copper-bearing articles at ceiling prices, these prices reflect 80 percent of the higher cost of foreign copper.

However, we are advised that many contracts for the purchase of copper-bearing articles for defense purposes are at prices lower than the allowable ceiling prices. Where this is the case, a careful study of each contract and possibly of the copper fabricator's costs would be required to determine to what extent the higher cost of foreign copper was a factor in the price paid by the Government for the specific copper-bearing article furnished by the contractor. The Munitions Board does not have readily available information on contracts for the purchase of copper-bearing articles at less than ceiling prices which would permit broad generalization on the effect of the higher price of foreign copper on the prices paid by the Government under such contracts.

We trust that the information given above will be helpful to your committee

Sincerely yours,

OSCAR B. RYDER, *Chairman.*

Senator JOHNSON. Mr. Chairman, it would seem to me, just as a horseback opinion, that our military and our stockpiling endeavors should have the benefit of the 24.5-cent copper exclusively and that the consumers, the fabricators, and other users of copper outside of the military ought to pay the top price for their copper. It would just seem to me that the taxpayer is entitled to buy his copper at a lower price for our military and for our stockpiling program.

Senator BENNETT. If all copper were sold at 36 cents a pound instead of 40 percent of it going at 36 cents, it would increase the total cost of copper to the American people about 15 percent.

The CHAIRMAN. I might say there are a number of plans which will be presented to this Congress which will deal with this disparity between the domestic price and the foreign price, to aid our domestic mining industry. That is not the present question. However, there hasn't been any lack of thought on it, and I think there will be some proposals made before this Congress is over to deal with that specific question.

Senator FLANDERS. Mr. Chairman.

The CHAIRMAN. Senator Flanders?

Senator FLANDERS. The two things in question seem to be the encouragement of domestic mining and the cost to the consumer.

The 2-cent duty cost applying to the import in copper raises by a small amount the cost to the consumer.

The question as to the encouragement of mining would seem to be tied up in this 24.5-cent domestic ceiling. The President's message raises questions as to how long that is going to last.

Allocation was provided for in the President's message, but a reading of the message would seem to indicate that the holding of prices was going out. This may prove to be an exception to that policy, but it does raise the question, if all price controls went out, where the domestic price of copper would go with the removal of the 24.5-cent ceiling. It would certainly seem as though it would go high enough to give some encouragement to domestic prospecting and development. That phase of it would seem to be taken care of if we cut out the price support. Where it would go, Lord only knows, but it would go high enough so that this proposed 2-cents-a-pound duty would be a comparatively unimportant thing in the price of copper to the consumer.

The CHAIRMAN. The specific thing we are dealing with here is the suspension of the 2-cent copper import tax, and that is a minor part of the larger problem we will have to face at some time.

Senator FLANDERS. It seems to me to be that way.

Mr. KIESSLING. Senator Butler raised a question on Rhodesia which was unanswered. He wanted to know about the potential resources there. Mr. Leonard said he would look in his notes and see if we could report the figures. Do you have information that you could give Senator Butler at this time?

Mr. LEONARD. The ore reserves in northern Rhodesia, as calculated about a year ago, amount to a copper content of roughly 20 million tons. The production rate at the present time is about 350,000 tons annually.

Senator BENNETT. Mr. Chairman, before Senator Malone begins, I must correct my arithmetic. It was too fast. It would raise the price a little in excess of 25 percent.

The CHAIRMAN. Thank you very much, Senator.

Senator Malone?

Senator MALONE. What do all these figures add up to with regard to the domestic production of copper, in your opinion?

Mr. KIESSLING. I see a question in the phrase "add up to" that I do not quite understand.

Senator MALONE. What do the figures add up to in encouraging domestic production? You have presented some very interesting figures. I would like to know what your conclusion is as to how they bear on the subject of domestic production.

Mr. KIESSLING. If we look at primary production, in 1951 the primary mine production was 931,000 tons as against a 4-year prewar annual average of 625,000 tons. In other words, you have had an increase under the price level that prevailed in 1951 of about one-third in primary production.

You have also had some increase in the production of copper from old scrap. I am not talking here about run-around scrap but the recovery of copper from old scrap, which constitutes a substantial part of our regular supply.

In recent months there seems to have been a rather substantial decline in the flow of old scrap back into the economic system where it can be used. We have no first-hand factual information as to why this is, but the comments given in the trade press are that owners of old scrap are hanging onto their scrap in anticipation of higher copper prices; to that extent at least we know that what the scrap dealers are thinking about copper prices is not bringing back the supply into the market.

Current domestic production at the mines seems to be maintained at about the level of the past year; and there are, as you know, several projects in process of development which will be completed probably by 1954 or 1955 which it is expected will add something in the vicinity of 200,000 or 250,000 additional tons to the domestic capacity.

I do not know at first hand the arrangements which the Government has made to encourage this additional domestic production, but it is my understanding that in some cases the additional production is encouraged under Government contracts which guarantee to take a certain proportion of the output at a floor price.

Senator MALONE. What are these projects that you have in mind? Where are they located? Who is developing them? What will be their production?

Mr. KIESSLING. Could you comment on the additions to capacity, Mr. Leonard?

Mr. LEONARD. The development plans, or the four largest developments which are under way now, which I understand will be completed about 1957, are the White Pine deposit in Michigan, designed for a production of about 37,000 tons a year.

The Greater Butte project out in Montana, 45,000 tons. There is San Manuel being developed in Arizona; that is designed for 70,000 tons.

There is a development by Anaconda known as Yerington. I think it is in Nevada. I do not have the figure on the estimated capacity for this project, but the total for these developments if the plans are all carried out will be about 250,000 tons a year.

The CHAIRMAN. What is the price, as you understand, that will be paid for the copper produced by those mines?

Mr. LEONARD. I do not know that.

The CHAIRMAN. Who would know that?

Mr. LEONARD. I presume the RFC or the procurement agencies who make the contracts.

The CHAIRMAN. Mr. Benson, please make the inquiries to find out what those prices would be.

(The information referred to will be found on p. 37.)

Senator BUTLER. I would like to know the subsidy that is being given each of these plants, the subsidy over the 24.5-cent price. I know of one that is probably a very small outfit—it was told to me over the telephone that they were guaranteed a price of around 32 cents or 33 cents. They are making the contract as I understand it now with General Services, in order to open up and operate their project.

The CHAIRMAN. Senator Malone?

Senator MALONE. I might ask you another question, Mr. Leonard, since you seem to be the technical expert. Do you know of any other projects that are being opened up besides the four you mentioned?

Mr. LEONARD. Yes, there are a number of other developments.

Senator MALONE. Will you name them for the record.

Mr. LEONARD. I think a good many of them are replacements of operations that are going out of commission or shutting down.

This Yerington deposit is 30,000 tons. There is an extension in Bisbee, which is designed for 38,000 tons. There is a Silver Bell run by A. S. & R. I do not know where that one is.

Senator MALONE. Do you know where the Silver Bell is located?

Mr. LEONARD. No, sir.

Senator MALONE. Who?

Mr. LEONARD. It is an operation of the American Smelting & Refining Co.

The CHAIRMAN. There used to be a Silver Bell in New Mexico but I do not know whether it is the same one.

Mr. LEONARD. I think it is in the Southwest.

Senator MALONE. What is the amount of the copper to be produced there?

Mr. LEONARD. The amount of production planned for is 18,000 tons annually.

Senator MALONE. Can you name others?

Mr. LEONARD. There is Copper Cities. That is Miami Copper, 22,500 tons.

Senator MALONE. That is in Arizona, is it not?

Mr. LEONARD. I think so.

Senator MALONE. But you do not know?

Mr. LEONARD. I do not have it on this tabulation.

Senator MALONE. How much copper is to be produced annually?

Mr. LEONARD. 22,500.

There is Kennecott, the Deep Ruth, that is in the Southwest, 18,000 tons.

There is Calumet and Hecla, opening the Seneca.

Senator BUTLER. I would like to have it a little louder for myself as well as the reporter.

Mr. LEONARD. Calumet and Hecla, in the Seneca mine, northern Michigan, about 7,000 tons annually.

The Howe Sound Co., the Calera mines. I think that is in Idaho; about 4,000 tons annually.

The CHAIRMAN. Who would have the detail on that?

Mr. LEONARD. The Bureau of Mines would have the detail on these operations.

The CHAIRMAN. They are not here, are they?

Mr. LEONARD. I do not see anyone present from that agency.

Senator MALONE. I will ask you what contracts have been made, and to dispose of this additional production?

Mr. LEONARD. I do not know what the business arrangements are, sir.

Senator MALONE. Do you know anything about the encouragement that the Government is giving the companies or individuals in loans, short amortization periods, or guaranteed unit prices?

Mr. LEONARD. There may have been funds advanced. I do not know who has made contracts, but the procurement agencies would undoubtedly be informed on that, particularly the Defense Minerals Procurement Administration.

Senator MALONE. Who administers that organization?

Mr. LEONARD. That would be under Mr. Jess Larson, and the Deputy Administrator is Howard Young, I believe.

Senator MALONE. The Defense Minerals Procurement is under the General Services?

Mr. LEONARD. That is right.

Senator MALONE. The General Services, then, is quite an all encompassing organization, is it not?

Mr. LEONARD. That is right.

Senator MALONE. It advances quite a number of things as a matter of fact, does it not, in mining as well as other fields of industry? It advances money in the form of subsidies does it not?

Senatory HOEY. Is it your purpose to have a vote on the pending bill today?

The CHAIRMAN. I would like to, but I am afraid we will not finish today.

Senator HOEY. I wanted to leave my vote with the chairman. I want to vote for it.

The CHAIRMAN. I doubt that we will get to the vote today. We have a session of the Senate this afternoon so when we finish here we will go over until tomorrow morning.

Mr. LEONARD. Senator Malone, we do not follow the details of these transactions with individual concerns. We are not in a good position to give you any authoritative information.

Senator MALONE. The reason I was establishing this particular set of facts is that you all seem to be perfectly willing to do away with any tariff and you have definite ideas along that line but you seem to have no knowledge as to what subsidies or other advances are made by the Government as a result of such action.

There seems to be three or four agencies mixed up in such subsidy advances and no one, least of all the committee, has any information that would allow them to determine the ultimate cost of this copper to the Government.

Mr. LEONARD. We are not in a position to furnish information of that type, Senator.

Senator MALONE. You have furnished some very valuable information but it is only a part of it and I was just trying to complete the picture.

Mr. LEONARD. We cannot cover the whole waterfront.

Senator MALONE. I was trying to get what part of the waterfront you covered. You made quite a broad statement to start with, that you favored free trade on copper. I wanted to know if you had complete information.

It is now established that you do not have any knowledge as to what subsidies are paid through other agencies of the Government in contracts they make with domestic producers that would increase the 24.5-cent price to the taxpayers—that may be affected by the free trade which you recommend.

Mr. LEONARD. No, sir; I cannot inform you on that.

Senator MALONE. Such subsidies might not increase the price directly but it would increase it through the increased cost to the taxpayers, which we are worrying about. I want to establish the fact that under a "free trade" system the Government must furnish subsidies.

Mr. Chairman, I wish the distinguished Senator from Connecticut had stayed because I dislike commenting on his statement without his presence. I suppose we could let him know that certain comments were made.

The Senator stated that it seems to be a very fine arrangement all around. I would define that arrangement as being a very fine arrangement for the manufacturers who use copper as a raw material. The manufacturers who are mostly located in Connecticut have a tariff on their products of from 15 to 64 percent.

The material going into the manufacture of brass is largely copper: From 65 to 80 percent copper.

The fabricators are intensely interested, of course, in having free trade on what they buy, just as everyone else is interested in "free trade" on the materials they purchase. They are also interested in a tariff on the products they sell as already indicated. If all our citizens could do that, it would be a very fine arrangement—unfortunately that is not possible so we must arrive at a general policy.

Mr. Kiessling, you have no information, I take it, on the cost of production of copper in other countries?

Mr. KIESSLING. That is correct.

Senator MALONE. How long has it been since the Tariff Commission collected important information as to the cost of production, domestic and foreign?

Mr. KIESSLING. The last report we made to the Senate Finance Committee was in 1932.

Senator MALONE. How recently have you made reports to the President on these costs?

Mr. KIESSLING. We have made no recent reports to the President on these costs.

Senator MALONE. Without particular regard to copper, doesn't the Tariff Commission report directly to the President on certain proposed tariff changes by the State Department and their effects upon the industries involved?

Mr. KIESSLING. Oh, yes. We have made peril point reports on many articles. I gather you are referring now to all of these reports. However, we have not made such a report on copper.

The peril-point findings, or the provisions of law governing peril-point findings, were not in effect at the time of the negotiations at Geneva, as I recall, so that we would not have made any peril-point findings in connection with the preparation for that conference, at which the concession was made in the import tax on copper.

Senator MALONE. How long have you been with the Tariff Commission?

Mr. KIESSLING. I have been with the Tariff Commission since 1947.

Senator MALONE. You are not familiar, I suppose, with the functions of the Tariff Commission as such. You are merely an adjunct to the executive department now and furnish certain information to them.

There was a time when the Tariff Commission was quite an organization and it studied the effect of imports of foreign produced, low labor cost products.

Mr. KIESSLING. I wish you would extend the implications of your comment to include the fact that it is still quite an organization, Senator.

Senator MALONE. I do not have much respect for it myself since the Congress shifted the regulation of the tariff structure from your organization as an agency of Congress to the State Department as an agency of the executive department through the 1934 Trade Agreement Act—misnamed the Reciprocal Trade Act. I say that because you are now nothing but a very small tail on a very large kite—with no authority at all—I hope we restore your right to act.

Now I would ask you one more question, and that is, in answer to Senator Butler, I think you added up the total production in 1951, estimated at about a million and a quarter tons, did you not?

Mr. KIESSLING. The total domestic production of both primary copper and secondary copper from old scrap in 1951 is 1,427,000 tons.

Senator MALONE. What was it in raw material copper?

Mr. KIESSLING. 931,000 tons. You are referring to primary copper, mine production only?

Senator MALONE. Let us confine it to at least one kind of copper so we will understand the comparison. What was the domestic production of primary copper? What was the total production for 1952? What was the total production of copper in the United States, with the production for December 1952, estimated?

Mr. LEONARD. Eleven months' production, 840,000 tons.

Senator FLANDERS. I thought we heard figures amounting to 330,000 tons a quarter. What was that?

Mr. KIESSLING. That was the quarterly rate of total production. Total production is all copper which we produce and includes newly mined copper plus recovery from old scrap.

Senator MALONE. In order not to confuse the production figures, let us just confine it to total production. What was your total production then on that basis, estimating the December production to make a total for 1952?

Mr. LEONARD. Eleven months' total production, 1,215,000 tons.

Senator MALONE. Now you estimate that your production with these 10 additional projects would be increased how much?

Mr. LEONARD. Well, the new properties under development, when they get producing ——

Senator MALONE. Within a year or two or whenever it is?

Mr. LEONARD. About 1957 is when they are expected to be fully operating.

Senator MALONE. I understand some will be in in 1954—the Yerington property as a case in point.

Mr. LEONARD. It will probably be longer than that.

Senator MALONE. I do not want to take issue with you but I know that it is supposed to come in in 1954.

Mr. LEONARD. That is true. I am talking about the completion of the broad program.

Senator MALONE. I am not talking about the completion of the program, but the additional production throughout the program would increase the domestic production by how much?

Mr. LEONARD. All of the new ones, roughly about a quarter of a million tons.

Senator MALONE. I thought you had 10 projects that were increasing the production, either of an old camp or a new one.

Mr. LEONARD. Some of those developments are replacements of properties that are failing. They are new extensions of old properties, many of them.

Senator MALONE. I understand they are extensions. As a matter of fact you are talking about my own State in a couple of these projects and they are not replacing production that is going to fail in the next 2 or 3 years. They will add life to the camp. You can put it that way.

You mentioned Ruth, near Ely, Nev. That discovery is supposed to increase the life of the camp by perhaps 15 years.

Mr. LEONARD. That is true.

Senator MALONE. Why do you inject the suggestion that such projects will not add to the total production?

Mr. LEONARD. The statement I made as to some of these developments being replacements of failing deposits is true. It does not apply to all of the projects. I just do not have the details with me.

Senator MALONE. You do not know specifically which ones they apply to?

Mr. LEONARD. No, I do not.

Senator MALONE. I think we can discard that for the time being.

Now give me the number of tons. Did you say 250,000 tons annual additional production for four of the projects?

Mr. LEONARD. That is right.

Senator MALONE. Two hundred and fifty thousand.

Now take the other six. How much would that increase the annual production?

Mr. LEONARD. I cannot tell because I do not know how much replacement of present capacity there is.

Senator MALONE. I do not think we need bother with that angle of it because in most cases we are sure the new production will add to the reserves. I am personally familiar with several of them.

Just give me the amount by which they would increase the production; the other six projects.

Mr. LEONARD. Probably about 100,000 tons as a rough estimate.

Senator MALONE. That would be a total increase then of 350,000 tons for the 10 projects?

Mr. KIESSLING. As Mr. Leonard says, that would not be a net increase because some are coming in and others are going down. You have to be much more conservative if you are trying to make a statement on net increase and we are prepared to be accurate about that point, but it is roughly in the range of 240,000 to 250,000 tons.

The CHAIRMAN. Those figures are important because it is assumed that if you did not give this help, you would not have that much more gross and if you did not have that much more gross, it would be a loss.

Mr. KIESSLING. Well it would not be; you cannot lose what you do not have.

Senator MALONE. Why are you so insistent that we make a small showing in regard to increased production? Is this a part of the new policy of the Commission, or can you furnish the committee information on what production will be decreased as this other production comes in and why?

Mr. KIESSLING. We are not insistent on making a small showing, but I am rather insistent on what the facts mean that we are dealing with.

Senator MALONE. Then what are the facts?

Mr. KIESSLING. The point is that the specific information which the Government has available through its contracting agencies indicates the increase in capacity which will result. This increase has to be measured against a probable decline owing to depletion in an industry over a period of 4 or 5 years. The net increase is an engineering result which would have to be developed carefully and could be obtained by this committee from the agencies that are making these compilations. We are not prepared to make a highly accurate statement but we are prepared to paint with a rather broad brush; we are not a mining agency and do not pose as experts on the subject.

Senator MALONE. You just told me a while ago that you have not studied the copper subject, did you not?

Mr. KIESSLING. Well this is not quite the point.

Senator MALONE. It is a point with me and I want to establish it. If you are familiar with these copper mines and you know what is going to happen when this additional production comes in, I would like for you to place it in the record. If you are not, just a negative statement would do. We can get the information. I can get the information from General Services, no doubt, and from the affected companies or individuals.

It is therefore not important for you to testify on this point, except that you insinuate continually that there will not really be much of an increase in production because of these new properties.

Mr. KIESSLING. That is not the point that I made. The point I am making is that I do not want the figures we have given considered in a too-refined form when more detailed and more accurate information is available to the committee. We are not in the field of dealing with these particular contracts and I want to confine our testimony here to the kind of things that we know about and have first-hand information about.

Senator MALONE. That is exactly what I am trying to get you to do. Now if you have any information as to the specific decrease in production, as this additional production comes in, will you state it for the committee?

If you do not have it, simply say you do not know.

Mr. KIESSLING. We would prefer that the committee get its information from the groups that are primarily responsible for the copper-expansion program.

Senator MALONE. I think that is a very good answer. I appreciate it. It took quite a while to reach the point.

Now will you state again for the record the total annual consumption in 1952. That is for 1951 and 1952, perhaps.

Mr. KIESSLING. The total annual consumption of copper in the United States in 1951 was 1,857,000 tons. The annual consumption for the first 11 months of 1952 is 1,618,000 tons. You have to increase the latter figure by an estimate for 1 month to make a total comparable with the figure given for 1951.

Senator MALONE. Which would bring it back to approximately 1,800,000 tons?

Mr. KIESSLING. Very closely.

Senator MALONE. I think that is satisfactory.

We have, then, development under way that would bring the domestic production up to within approximately 390,000 tons of annual production to the annual consumption in wartime; is that right?

Mr. KIESSLING. Presumably that would be the case.

Senator MALONE. Now do you believe—and I can see that you have not made a study of the copper industry and perhaps very little study of the production of any mineral—do you believe that the price has any effect—do you believe that the price per pound has any effect upon the domestic production?

Mr. KIESSLING. Certainly it has an effect on domestic production.

Senator MALONE. In other words, the production is likely to conform pretty much to the price in bringing in new supplies of copper.

Mr. KIESSLING. In an emergency the industry goes along and produces all it can, as it did during the World War, without too much regard to price. In other words, it operates its mines during periods of emergency with regard to national objectives rather than only profit objectives.

Senator MALONE. There are these new contracts that have emoluments which come from the Government, regardless of whether they are guaranteed prices or loans from the Government, or short amortization periods they are all subsidies—still you believe they are doing a patriotic duty?

Mr. KIESSLING. I do not recall saying anything about how much the copper producers made.

Senator MALONE. You indicated they would go along without regard to profit.

Mr. KIESSLING. There have been periods during which the copper industry maintained production and was under price ceilings, and every effort was made to increase production despite the fact that it was under price ceilings.

Senator MALONE. You are well acquainted with the mining industry and the management of these mines so that you could make such a statement? You might give us your background for the record.

Mr. KIESSLING. I will sketch it very briefly. I joined the Bureau of Mines in 1927. Subsequently I was chief of the Minerals Resources Division for about 15 years and editor of the Minerals Yearbook during most of that period. I directed the census of mineral industries from 1939 through 1942. I was out of Government service and in private industry for 4½ years until I joined the Tariff Commission staff in 1947.

Senator MALONE. I think that is a very good background. Would you like to say that a flexible tariff or an import fee operation, as a floor under wages and investments would not encourage investments of new venture capital in the mining industry? A policy laid down by Congress that would in all likelihood create a floor under such investments so that the low-wage foreign production would be likely to destroy the investment in normal times?

Would you say that such a policy would have a tendency to increase production through encouraging venture capital to enter the mining field?

Mr. KIESSLING. Just what are you saying would encourage the domestic industry? I am not clear on your point there.

Senator MALONE. I can see that.

I am asking you the question, Do you want to say that a tariff or an import fee based upon a definite policy laid down by Congress of a floor under wages and investments which would tend to equalize the living standards of the foreign countries with the living standard of our country, would not encourage and increase investments in mining properties, including copper?

Mr. KIESSLING. It seems to me any action by Congress which would increase the return from mine operations would encourage the development and operation of United States mines.

Senator MALONE. That does not quite cover it.

Right at the moment the crux of this question seems to be, if you had a 2-cent or a 5-cent tariff on copper now, it would make no particular difference because the Government is using more copper than they can get readily from foreign supplies and domestic supplies.

However, when there comes a period of peace, or a period of letdown in this emergency, as in 1949, when the price dropped to 16 cents, there being no protection, then the price drops down to the cost of production of the foreign production, whether it be in Chile, whether it be in South Africa, whether it be in Canada, Mexico, or some other place as stated in one of your tables.

In other words, if you had a flexible import fee administered by your own Commission—if you really were responsible for the job of adjusting the tariff upon the basis of fair and reasonable competition, that would guarantee a floor under wages and investments.

If you had that job to do on a flexible basis, and based on a fair and reasonable competition, and if Congress again definitely charged you with that responsibility, do you think that would encourage private investments not only in the general mineral business but in the copper industry?

Mr. KIESSLING. It seems to me, Senator, that what you are asking are some very powerful policy questions here which are beyond the scope and authority under which I appear.

We can give you the facts. The questions that you are asking are the ones the committee will have to decide and Congress will have to decide. It is not appropriate for us to comment on them.

Senator MALONE. I excuse you from answering the question, since we know the policy of the State Department is a "free trade" policy.

The CHAIRMAN. If the witness confines himself to facts he is doing his business. If he wants to be drawn out into policy questions that is his own decision. The committee will not insist that he discuss a policy question.

Senator MALONE. I have already withdrawn the question, Mr. Chairman.

The CHAIRMAN. Have you finished with the witness, Senator?

Senator MALONE. No, I am not quite finished.

I did not quite understand your answer to my one question. We will keep away from policy entirely and ask you the question in this manner.

If there was some assurance that the privately financed production in this country had some protection—some floor under the wages and investments, if we, the Congress, laid down the policy and there was some assurance of a congressional policy that the domestic producer would not be forced to sell in competition with the low-cost foreign labor produced products, do you not think that would be an encouragement to the investment of private venture capital?

Mr. KIESSLING. It certainly seems to me that any prudent businessman would take that into account when he decides whether he can put his dollars into a business. It is an additional factor which is positive in character from his standpoint.

Senator MALONE. That is right, and that is a very good answer. I think you are fully capable of answering the question because your background is very good.

With this 24.5 cents a pound, you have testified that contracts have been let and that there is every expectancy that the domestic production will be increased and will reach more than a million and a half tons per year.

Mr. KIESSLING. Whether it reaches that, of course, depends upon the extent to which output from present operations is maintained. What you did was add the additional figures on the 1951 production.

Senator MALONE. That is right.

Mr. KIESSLING. There is also the assumption that we continue to have a strong market.

Senator MALONE. That is correct—that the emergency continues.

Now has your commission ever made any study as to the possible increased production of copper in this country in accordance with price? That is to say, do you have any knowledge of additional properties that might be available for production at a higher price?

Mr. KIESSLING. We have no special knowledge on that subject.

Senator MALONE. I might say to you that, having watched the mining industry for 35 years, I know of very few deposits that have been discovered by the companies who develop them. I am fully familiar with the Yerington deposit that is being developed now by the Anaconda Copper Co., one of the best companies in the world, but 30 or 35 years ago that property was discovered by prospectors and it changed hands about three times and finally, after each one had put his life's blood in it and failed, it was taken up by the company that is now developing it.

I merely wanted to bring out the fact that what you have to do is to have some assurance of a price which can only be had through a long-range policy by Congress when you have a higher standard of living than your competitive countries.

I think your testimony has been very good in that regard.

I have no further questions.

The CHAIRMAN. The question was raised as to what the Government was paying for copper?

We have received this information from Mr. Thomas Lyon, Deputy Chief of Defense Materials Production Agency, as to the San Manuel, in Arizona. There is an RFC loan and a floor price of 25.5 cents provided for amortization.

At the White Pine, in Michigan, there is an RFC loan.

There is a floor price of 25.5 cents to amortize.

The Silver Bell, in Arizona, there is no loan. There is a floor guaranteed of 24.5 cents.

Phelps Dodge, the East Core-Body, Arizona, 22 cents floor price and no loan.

The Yerington, in Nevada, no loan, 25.5 cents floor price.

Do either of you gentlemen have anything further to say?

Mr. KIESSLING. We have nothing further to say and if the committee is through with us, we would be happy to retire.

Senator MALONE. I have one statement I would like to make generally.

This applies to copper as well as other business developments.

There is in many cases a short amortization period involved.

In other words, no taxes until a certain percentage of the investment is returned. That is also a subsidy.

The CHAIRMAN. You may be excused.

Senator Danaher.

STATEMENT OF JOHN A. DANAHER, ATTORNEY, REVERE COPPER & BRASS CORP.

Mr. DANAHER. My name is John A. Danaher.

The CHAIRMAN. We are well acquainted with you, Senator. You were a distinguished member of this committee for many years, but for the sake of the reporter, who is a new man here and may not know that fact, please tell him about yourself.

Mr. DANAHER. I am an attorney for Revere Copper & Brass Corp. My offices are located at 50 State Street in Hartford, and 1625 K Street in Washington.

I appear in support of H. R. 568.

The CHAIRMAN. Do you want to sit down, Senator?

Mr. DANAHER. Thank you.

H. R. 568 amends the existing law in only one particular. That particular is by extending the period of suspension of the import tax on copper until June 30, 1954. The policy of Congress was laid down in Public Law 38 which was approved May 22, 1951. The record should show, I think, that the policy of Congress as stated in existing law says 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 February 15, 1953, and ending with the close of June 30, 1954: *Provided*—

Now this proviso is all important in this committee's thinking and I emphasize it—

> that for any one calendar month during such period the average monthly price of electrolyting copper for that month in standard shapes and sizes, delivered, Connecticut Valley, below 24 cents per pound, the Tariff Commission within 15 days after the conclusion of such calendar month shall so advise the President and the President shall by proclamation not later than 20 days after he has been so advised by the Tariff Commission, revoke such suspension of the import tax imposed under section 3425 of the Internal Revenue Code.

Let me pause to comment.

The CHAIRMAN. May I make a strictly technical intervention?

Mr. DANAHER. Yes.

The CHAIRMAN. You have mentioned the policy of Congress.

Mr. DANAHER. That is right.

The CHAIRMAN. It is the policy of Congress during the term of these extension statutes, but it is not a permanent policy of Congress, and I am sure you would not want to give that impression.

Mr. DANAHER. I am dismayed to hear the suggestion that it would not become the permanent policy of Congress, but I am willing to accept the Chair's comment that it does apply only until June 30, 1954, under the bill before the committee.

Let me point out, Mr, Chairman, that Congress here has prescribed a definite standard. The standard is automatic. Somebody has to find the facts. Congress utilizes an existing commission; namely, the Tariff Commission; to inquire into and ascertain the facts.

When the facts are so found, the Commission must advise the President. When so advised, the President shall, by proclamation, revoke the suspension.

The CHAIRMAN. I am merely making the point because it is very important to many of us who are willing to tolerate these extensions from time to time, but are not willing to tolerate a permanent supension policy.

We do not want to be sweet-talked into any recognition of a permanent policy.

Of course, the Senator from Connecticut would not engage in sweet talk.

Mr. DANAHER. The Chair understands the Senator from Connecticut better than he had hoped.

What is important, Mr. Chairman, is that so long as conditions prevail under which the United States domestic mine production is totally inadequate to meet the needs of the American people, it is simply folly to ask that the American people have superimposed upon the imported raw material which they must have, a burden of $40 per ton.

Since 1940 down to this very minute, it has been the policy of the United States Government, recognizing those needs, to import into the United States its needed supplies of copper, tariff-free.

There was one brief period of a few months mentioned by Dr. Kiessling over which the suspension had lapsed and before Congress once again could act, there was a reimposition of the tariff.

At the time, we were here then asking for continued suspension, we pointed out that unless Congress acted there would be such a disturbance of the normal natural flow of copper to the United States in normal channels that we were in grave danger of losing that much-needed supply, and the prediction and the warning that we then submitted became the fact. We did lose a vast amount of copper to the world market. Copper is a volatile commodity, all the world needs it, it is in short supply on a world-wide basis, and the inevitable result was that we found ourselves so seriously hamstrung, both on the civilian front and in the defense production requirements of the Nation, that Congress once again did act and did suspend the import tax of $40 per ton.

That, Mr. Chairman, is what brings us here today, for the reason that the present law will expire on February 15. The need, therefore, not only is urgent and immediate, but the requirement for early action is so essential to our welfare both as a Nation and as our individual representation here would indicate, that we ask the earliest possible consideration of the Congress on this subject.

Let me point out a little recognized fact that appears. Ninety days are required to process ore through the refineries, followed by another period of about 90 days while copper is processed through the fabricating plants.

Consequently, consumers must place orders to meet their copper requirements in the light of these facts.

Let me point out that over the period from 1940 through 1951, the United States imported from Chile alone, 4,244,317 tons of copper. In 1952, we imported from Chile approximately 360,000 tons.

In other words, the United States had to import some 40 percent of its total copper requirement and Chile supplied almost 60 percent of all the copper imported.

Therefore, if the Congress does not act now to continue the suspension, once again there will be a disturbance in the relationship of our contractual supply of copper from Chile, and once again our historic source upon which we have placed such enormous reliance both in war and peace, will be seriously interfered with, and I can assure you that the entire world is eager to take the copper.

Now various questions have been raised here this morning which, it seems to me, require a little comment, particularly in order to clarify the basis of the answers given.

For example, Dr. Kiessling; Dr. Kiessling was answering Senator Butler and he made reference to table 1 and undertook to answer

Senator Butler in terms of total supply, not only for 1951 but also for 1952.

When he answered those questions he failed to distinguish between primary production and secondary. The primary is domestic mined production and there is a very real difference between a domestic mine production in 1951, for example of primary, of the 931,000 tons, as against a total—which figure he gave Senator Butler—of 1,427,000 tons of total production.

Remember, there is what they call run-around scrap, there is secondary scrap, there is the scrap that is part of the copper content in brass products, all of which is recoverable, and by more or less expensive processes is recovered and hence, it does go back into the supply.

But in terms of total available new copper in any one year, it is domestic primary production upon which we must rely.

Now another important and interesting fact, it seems to me, is that the American Bureau of Mining Statistics reports the exact figures through December 1952 of domestic mine production for that year: 962,512 tons. At a time, Mr. Chairman, when we need approximately 1,600,000 to 1,800,000 tons a year it is perfectly obvious that we have to import those vast tonnages in order to meet our requirements.

What are our requirements?

Civilian consumption is running at the rate of approximately 110,000 tons a month. Defense requirements are running at the rate of about 28,000 tons a month. There is a total of 138,000 tons right there.

Now how much is being added to stockpile is a restricted figure and we do not know it with exactitude.

The CHAIRMAN. It is a matter of common knowledge that our stockpile is woefully deficient in copper.

Mr. DANAHER. That is certainly so.

Now let us confine ourselves for just a moment to the defense requirements. Some people have called this action in Korea a "police action." There are many who think it is a full-fledged war. And certainly it is a fact that we are on the verge of international involvements of which no man today can really predict the borders.

I can dramatize our defense requirements best by pointing out that in World War II, 800 pounds of copper were required for just one tank. One ton of copper is required for a large bomber. A thousand tons of copper go into a battleship. A 37-millimeter antiaircraft gun used 1 ton of copper every 20 minutes it was in action. A 50-plane squadron expended approximately 7 tons of copper in 1 minute of action.

Huge tonnages of copper also were required for the more conventional uses during wartime in communications, in wiring, in transformers, in turbines and all the other elements necessary to carry on a total war.

Senator JOHNSON. Would the Senator mind an interruption.

Mr. DANAHER. Not a bit.

Senator JOHNSON. You say that the military use of copper at the present time is 28,000 tons per month?

Mr. DANAHER. Approximately, yes.

Senator JOHNSON. According to my mathematics that amounts to 336,000 tons per year.

Mr. DANAHER. Yes, sir.

Senator JOHNSON. I understood the testimony of the previous witness, Mr. Kiessling, to be that in 1951 we used a total—military and civilian—of 1,800,000 tons and in 1952 it was perhaps almost that figure and perhaps slightly under.

Now do I understand that if we subtract 336,000 tons from the total use of 1,800,000 that we get the figure of 1,464,000 tons and that that represents the civilian consumption of copper?

Mr. DANAHER. It represents civilian consumption plus whatever went into stockpile.

If you can figure exactly what civilian production is and deduct it from that figure, you can estimate what amount went into stockpile. I have not undertaken to do that orally for the simple reason that is restricted.

Senator JOHNSON. I am trying to establish a relationship between the military copper and the civilian copper use.

Mr. DANAHER. You have done it, sir, and that is substantially accurate. Roughly it is 110,000 to 28,000 per month.

The CHAIRMAN. Another item, Senator Danaher.

They release copper out of the stockpile for civilian purposes, which is a figure to be considered in there.

Mr. DANAHER. That is right, when you are estimating consumption.

So I say I do not undertake to give you the exact figures that go into the stockpile, Senator Johnson, but the trade knows within reasonable limits exactly what it is.

The CHAIRMAN. That is a mystery only in this committee and we have to keep it a mystery. You can read it in any magazine or newspaper. You read it anytime anybody in Government makes a speech, but we do not know it and dare not know it here in the committee.

Mr. DANAHER. And you cannot tell anybody. You can take a pencil and paper and come pretty close to it.

Senator MALONE. The only people who are thoroughly familiar with the information are probably the ones we think we are keeping it from. They have it pretty accurately, I expect.

Mr. DANAHER. Let me turn my attention to one other aspect: There is no one on this committee and no guest of this committee who is more importantly interested than I in seeing the mining industry of the United States develop to its maximum. You have had some figures which your statistician supplied to you from GSA as to the type of bonus or incentive contract which the Government itself has given to either wasting mines or those which are newly discovered and which need help.

I do not see how you can possibly fail to recognize this, Senator: I do not see how you could possibly lay out of your mind this important fact, Senator Flanders.

All during the war copper was handled through the Metals Reserve Company, a subsidiary of the RFC. That company developed a plan of incentive payments to bring into production all of the possible high-cost marginal producers, irrespective of what the cost was; our need for copper was so great. Individual contracts were let with these companies throughout the country. The biggest year's production we have ever had in our entire history, either before or since, was 1943. The mines were working three shifts around the clock, Saturdays and Sundays included. Cost was no object. Winning the war was.

That year our total domestic mine production was 1,083,000 tons, of which 1,083,000 tons seven companies produced 92.5 percent, while 210 others, other incentive payment plans, produced 81,700 tons.

The CHAIRMAN. Senator Danaher, I suggest that statistics might be fallacious in some of their implications. You can go along under an incentive program for maybe years and find nothing important. Maybe the next minute will turn up something very, very important. The subject does not lend itself to that type of statistic. If you do not have an incentive for exploring and developing your minerals, you will not find or produce any.

Now that much is sure. You may not find it today, you may not find it tomorrow, but if it is to be found you have to have some kind of incentive to find it.

Mr. DANAHER. I not only agree to that but I point out that San Manuel, to which reference was made a little while ago, the Yerington development and others are typical illustrations of how General Services moved in to assist them in finding not only a cost basis, but an incentive basis and a profit basis that brought them up to the standards of the industry generally.

I do not want to rest on that. I do not stay with that at all. I say that the best possible incentive for the profit motive and its development under our system of government is a free market. That is what I say. And, of course, price is an important element there.

The CHAIRMAN. Senator Flanders?

Senator FLANDERS. I would like first to get clear, if I may, just what the point is that you are trying to make with me so that, if possible, you may make it.

Mr. DANAHER. Right.

The point is that if all of the mines we now know anything about—excluding those that may be discovered "tomorrow" as the chairman says—if all those that we now know anything about were maximized in their production, at 81,000 tons or for easy figuring say 100.000 tons, you still would be 500,000 tons a year short of what we have to have in order to meet our normal civilian and defense requirements.

Senator FLANDERS. Now to what point in my questioning, and so to what point in the ideas I may assume to have had, are you directing these observations?

That is, where was I a little bit off the track and had to be set on again?

Mr. DANAHER. It seemed to me that inherent in your question was the suggestion that you thought that if price were important one way or the other, whether it be high or whether it be low, whether an import tax be 2 cents a pound additional or not had nothing to do with meeting our needs.

I am trying to say to you, Senator, that in my understanding of the question—maybe you did not mean to convey any such suggestion that price did not have a bearing on meeting our needs, but I say if all the production we know about in the United States is aggregated and maximized we still cannot possibly come anywhere near meeting our requirements at this time.

Therefore, this legislation is required.

Senator FLANDERS. The point that I think I was trying to make is that so long as there is a ceiling set on domestic production, the added price of imported copper has no effect. The ceiling, it seems to me, is the controlling thing, and that is a purely artificial thing. Putting the duty on will increase the cost to the consumer but I do not see how putting the duty on or leaving the duty on a rigid foreign market price which is 10 cents a pound more than our ceiling is going to affect production.

I am going to question you some more on what happened when this duty went on again for a time, but, Mr. Chairman, I would like first to allow him to proceed and divulge the whole of his argument.

The CHAIRMAN. The Chair feels that that subject of debate is limitless and there is no more controversial question you could possibly get into.

Senator FLANDERS. But still I can ask questions, can I not?

The CHAIRMAN. You can do that and we will listen while we hear at least the pros on it, but we will not take time to hear the cons on it.

Senator FLANDERS. You do not expect to unscrew the unscrutable.

The CHAIRMAN. No.

Senator Bennett?

Senator BENNETT. Senator Danaher has proclaimed his adherence to the idea of a free market.

Do you think we now have a free market?

Mr. DANAHER. I am sure we do not.

Senator BENNETT. Do you think the 2 cents tariff is the only thing standing between us and a free market?

Mr. DANAHER. No; I do not. There are other factors, for example, I think the OPS price of 24.5 does.

Senator BENNETT. Then the people you represent would be glad to join some of us in urging that that be eliminated and that the domestic price be allowed to seek its own level.

Mr. DANAHER. I have never canvassed the position of policy-making officers in the company as to whether they would or would not go along, but if you ask me individually, I am in favor of removing price controls as applied to copper, indeed I am.

Senator BENNETT. Earlier in this discussion Senator Malone made some reference to the tariff protection your people have on manufactured products.

Would you be anxious to extend the free market to that extent?

Mr. DANAHER. Quite; and there is not the slightest reason why not, so far as I'm concerned.

But let me point out that Senator Malone utterly fails to take into account a fundamental distinction between a tariff on an item which is in short supply and which the country must have, and a tariff on items of which we have plenty.

So if there be articles for example that require protection on the basis that there is no way in the world that they can compete abroad with goods from other places, and we have enough of them ourselves and can produce an adequate amount, then and then only is there justification for a tariff in my thinking.

That is a fundamental distinction.

Senator BENNETT. I am just making the point that at least on the surface it seems a little to us who live out in the West that there is an interest in tariff in one place and against it in another. I hope I am mistaken.

Personally, I intend to vote for this legislation because I do not believe the 2 cents involved is anything like the factor of freeing an industry from a price-control regulation involving this kind of problem.

Mr. DANAHER. Far from there being a free market in this field, first your Congress comes along in 1932 and imposes a tariff of $80 a ton, so that the Congress reaches into the industry and puts a legislative burden upon it in the form of a tariff law.

Then Congress comes along and creates an OPS and creates another agency which puts a different type of burden on it. It not only says that you cannot get any copper at all from abroad without hurdling a tariff wall, but when you do get it you are going to have to sell whatever you sell at a price of 24.5, if that be the OPS price on the copper content of the item.

Somebody spoke of scrap here a little while ago. I believe it was Mr. Kiessling who said scrap was not going back into smelters and refiners to be reworked and be made available again. He said speculators are holding back on their scrap because they expect an anticipated rise in price.

I do not doubt that that is exactly what is happening. I do not doubt there are plenty of people holding copper scrap back with the thought that when OPS controls go off the price will go up and they therefore will be able to sell.

Senator BENNETT. Is not that a normal reaction to a free market?

Mr. DANAHER. Of course it is but what happens in the meantime? What happens to the fellow who has to go out and buy 29-cent copper on an average, between 24.5 and 36.5? He has to buy 29-cent copper and he pays 29 cents for the copper, reduces a considerable portion of it to scrap and then can only get 24.5 cents for his scrap.

He cannot even get his cost out of it. That is exactly the way these controls are working in limiting the industry.

So when we come here and we try to explain our problem to this committee, which is the committee having jurisdiction to deal with at least the tariff aspect of the problem, we are pointing out a need for relief that we cannot get anywhere else.

Senator BENNETT. I am now interested in the statement you made a minute ago that in 1932 Congress came along and put a burden of $80 a ton on the industry.

Mr. DANAHER. That is right.

Senator BENNETT. That is your industry in Connecticut. Without that protection in Nevada and Utah, our mines probably would have closed down in competition with the low-paid labor in Chile and in Africa so there are times when a tariff in our point of view is completely necessary.

Mr. DANAHER. I could not have asked you to make a statement as susceptible to, in my opinion, demolition as the one you have just made, Senator.

First, we were exporters of copper during the thirties and tariff meant nothing. There was no actual tariff paid by us and there was no tariff paid by anybody else. There just were no imports or minor imports and the tariff did not amount to anything.

In the second place when we exported during the thirties we were competing with the lowest cost mines in the world. It did not matter whether it was slave labor, as Senator Malone uses the term, or anything else. When we were selling copper in the export market to the world we were competing against Rhodesia, the Belgian Congo, Chile, Peru and everybody else—and we were underselling them.

The CHAIRMAN. And all who were doing that were going broke.

Mr. DANAHER. I have looked over the statements of the various companies.

The CHAIRMAN. You have not looked over the statements of those who went broke.

Senator BENNETT. You have not looked over the statements of those who were laid off by Kennecott. The price of copper was so low that they could not afford to work anything but their rich deposits.

Mr. DANAHER. You knew we were exporters of copper and the tariff had nothing to do with it?

Senator MALONE. What year was that that you exported copper?

Mr. DANAHER. From 1932 to 1939, inclusive. We were exporters of copper to the total of hundreds of thousands of tons.

Senator MALONE. The table I have in front of me does not show the balance you mention, but it is unimportant in the question before us—you are probably correct.

Mr. DANAHER. I am.

Senator MALONE. I hope you will present a table that will give that information.

Mr. DANAHER. I will do that.

(Mr. Danaher read into the record, on p. 49, a report regarding the above.)

Senator MALONE. I want to say to you, Mr. Danaher, you have enunciated a policy so utterly at variance with any sensible tariff policy that it is utterly preposterous.

If it is your opinion that a tariff is only effective when there is a surplus of goods, then there is no point in this discussion.

You make the flat statement that when there is an underproduction in this country, then a tariff is of no help whatsoever.

I want to point out to you that what induces a man to put his money into a venturesome business is a floor under that investment which can be nothing other than a Government subsidy on a tariff, and in my humble opinion a tariff is more logical than a Government subsidy, coming out of all of the taxpayers pocket. Your philosophy leads to Government subsidies and higher taxes.

If you believe what you have just told the committee, your philosophy is established before this committee and so far as I am concerned it is of no consequence whatever. Your whole approach is wrong. Every one of our strategic and critical minerals and materials are in short supply. Why are they strategic? Because we do not produce enough of them at this time. So you would establish free trade on tungsten, on mercury, on zinc, on lead, on copper, then there is no incentive for any new investment to go into such business—because in normal times the low cost foreign labor using our up-to-date machinery would dominate the market.

There are certain investors already in these businesses who cannot get out very handily when a bureau puts a lid on the price. Or when you are through with an emergency there are enough imports to break the market as it did in 1949; then without a tariff or import fee, you are broke.

Another statement you made that established the utter fallacy of your position was that it is absolutely impossible on a short period of time to increase your production of copper to any great extent.

Mr. DANAHER. Do you not agree to that?

Senator MALONE. To that I fully agree but if the investment is not protected then the new properties are not discovered and the emergency finds you in the position which you just described.

The mines are not brought into production in 1 day or 1 month or 1 year. It is not like Mr. Ickes and all of his ilk used to preach, that we must save our own minerals and save our own—we must first discover them before we can save them. Yet the incentive must be established through congressional policy.

The point is, the only way you develop minerals over a long period of time is to have that long-range incentive established through a definite policy of Congress so that venture capital will go into the business over a 5- to 10-year period.

When you hear them talk about saving it for emergencies, you would think that what you did was to wait until war was declared then you just found a buckboard with a couple of horses and a hay knife and went up on the side of the mountain and whittled off the ore you needed and came back with it. That you know where it is and can get it quickly.

But when you do not even know where the mineral is, as you just testified that they did not, and an emergency comes there is a definite limit to what you can produce, and venture money will not go into such a business and as a matter of fact no amount of money spent will increase the production very much, because your very policy of no protection has defeated your purpose. I spent considerable time with the Production Board during the Second World War, representing the Senate Military Affairs Committee, as their consultant. They would pay anything for copper, for the emergency, but nobody could get copper because there had been little prior search for it. They would pay anything for tungsten, mercury, and chromium but they could not get it because they had neglected to furnish the incentive to find it over the long range—through lack of a tariff or import fee to protect investments from low wage foreign labor.

It takes anywhere from 3 to 5 or 6 or 7 years to develop a mine. The Anaconda Copper Co., one of the best companies in the world, are putting 35 or 40 million dollars into the Yerington copper mine in 2 years before production can be commenced. It will be 2 years before they can start to produce. They did not discover the Yerington copper. I happened to be the one who made the patent survey on three of the mining claims in 1919 when I came back from World War I 35 years ago. Old Three-fingered Jack, who finally almost starved to death because he could not mine the copper, held it then.

It is Three-fingered Jacks who see the rainbow at the end of the trail—who discover these mineral deposits throughout the country; not the Anaconda Copper Co. engineers. Engineers do not discover mineral deposits, they turn them down.

Here lies the utter fallacy of your statement and your conclusion, that you only need a tariff when you produce too much of a product. If you produce too much of it, naturally you need a tariff, to equalize our standard of living with the foreign competitor in order to maintain your wage standard of living.

When you do not produce enough and you want to increase your production, and everybody knows you can increase the production of any of these minerals, then you need your tariff as a floor under wages and investments in the business—a long-range floor, so that a man who has venture money to invest invests it in the industry and the prospector or developer does not go to the Government and get an RFC loan or get a short amortization period or a guaranteed unit price—there is approximately $25 billion in short term amortization grants, the necessity for which was brought about mostly by this utter fallacy of Congress continually fussing with the tariff protection constituting the floor under wages and investments.

You have an industry in New England. Your textile industry is slowing down. It is not because they cannot make textiles as good as England or Scotland, but they cannot pay 8 or 10 or 12 or 15 dollars a day and compete with England and Scotland in textiles paying 2 to 3 dollars per day, when we are continually fussing with the tariff down here through an irresponsible State Department.

I just want to make that point one more time: When you need a tariff is when you want venture capital to go into a venturesome business and mining is a venturesome business.

All business is venturesome for that matter.

I wanted to clinch for all time before this committee, the reason why you are arguing against a tariff.

I would hate to attribute it to the fact that you want a tariff removed because you want cheaper raw materials for a manufacturing business that could not possibly live 60 days without a 20- to 64-percent tariff. Your brass fabricators should support the principle of protection—on the basis of fair and reasonable competition—to apply to all industries, and maintain our economic integrity in this country.

The CHAIRMAN. The hearing will recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:35 p. m., the hearing recessed to reconvene at 10 a. m., Wednesday, February 4, 1953.)

COPPER IMPORT TAX SUSPENSION

WEDNESDAY, FEBRUARY 4, 1953

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

The committee met, pursuant to call, at 10:05 a. m., room 312, Senate Office Building, Senator Eugene D. Millikin (chairman) presiding.

Present: Senators Millikin, Butler, Flanders, Malone, Bennett, George, Johnson, Hoey, and Frear.

The CHAIRMEN. The hearing will be in order. Senator Danaher, will you proceed, please.

STATEMENT OF JOHN A. DANAHER, ATTORNEY, REVERE COPPER & BRASS CORP.—Continued

Mr. DANAHER. I will conclude briefly.

I would like to offer for the record, with regard to yesterday's testimony, a column from today's American Metal Market, the issue of February 4, showing metal price changes, the first or left-hand column of which gives the prices throughout the year 1946, the year 1947, the years 1948 and 1949, on an open, high, low, close, and average basis as to copper.

The CHAIRMEN. It will be included in the record.

(The document referred to is as follows:)

[American Metal Market, February 4, 1953]

METAL PRICE CHANGES

The opening, high, low, and closing prices of copper, lead, zinc, tin, antimony, and aluminum from 1946 through 1949 and on the first business day of 1950 and the changes thereafter are shown below:

	Copper (delivered Valley Electrolytic)	Lead (common, New York)	Zinc (prime western, East St. Louis)	Tin—RFC (selling price grade A, New York)	Antimony (99½ percent f. o. b. Laredo)	Aluminum (99 percent plus f. o. b. mill)
	Cents	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
1946—						
Open	12.00	6.50	8.25	52.00	14.50	15.00
Nov. 8 (OPA) ceilings	14.37½	8.25	9.25	52.00	14.50	15.00
High	19.50	12.55	10.50	70.00	28.50	15.00
Low	12.00	6.50	8.25	52.00	14.25	15.00
Close	19.50	12.55	10.50	70.00	28.25	15.00
Average	14.04	8.109	8.727	54.583	15.930	15.00
1947—						
Open	19.50	12.55	10.50	70.00	28.25	15.00
High	24.00	15.00	10.50	94.00	33.00	15.00
Low	19.50	12.55	10.50	70.00	28.25	15.00
Close	21.50	15.00	10.50	94.00	33.00	15.00
Average	21.273	14.671	10.50	77.944	32.020	15.00

	Copper (delivered Valley Electrolytic)	Lead (common, New York)	Zinc (prime western, East St. Louis)	Tin—RFC (selling price grade A, New York)	Antimony (99½ percent f. o. b. Laredo)	Aluminum (99 percent plus f. o. b mill)
1948—	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
Open	21.50	15.00	10.50	94.00	33.00	15.00
High	23.50	21.50	17.50	103.00	38.50	17.00
Low	21.50	15.00	10.50	94.00	33.00	15.00
Close	23.50	21.50	17.50	103.00	38.50	17.00
Average	22.32	18.043	13.575	99.25	35.013	15.730
1949—						
Open	23.50	21.50	17.50	103.00	38.50	17.00
High	23.50	21.50	17.50	103.00	38.50	17.00
Low	16.00	12.00	9.00	77.50	32.00	17.00
Close	18.50	12.00	9.875	77.50	32.00	17.00
Average	19.504	15.363	12.151	99.316	36.983	17.00

PRICE CHANGES SINCE JAN. 3, 1950

	Copper	Lead	Zinc	Tin	Antimony	Aluminum
1950—						
Jan. 3	18.50	12.00	9.875	77.50	32.00	17.00
Jan. 6	18.50	12.00	9.875	77.00	32.00	17.00
Jan. 13	18.50	12.00	9.875	76.25	28.75	17.00
Jan. 17	18.50	12.00	9.75	76.25	28.75	17.00
Jan. 19	18.50	12.00	9.75	75.50	28.75	17.00
Jan. 25	18.50	12.00	9.75	75.00	28.75	17.00
Jan. 30	18.50	12.00	9.75	74.50	28.75	17.00
Feb. 2	18.50	12.00	9.75	74.50	27.25	17.00
Mar. 2	18.50	12.00	9.75	74.50	24.50	17.00
Mar. 9	18.50	11.00	9.75	74.50	24.50	17.00
Mar. 13	18.50	11.00	9.75	(1)	24.50	17.00
Mar. 14	18.50	10.50	10.00	....	24.50	17.00
Mar. 27	18.50	10.50	10.25	....	24.50	17.00
Apr. 3	18.50	10.50	10.50	....	24.50	17.00
Apr. 18	19.50	10.50	10.50	....	24.50	17.00
Apr. 19	19.50	10.50	11.00	....	24.50	17.00
Apr. 20	19.50	10.75	11.00	....	24.50	17.00
Apr. 26	19.50	11.00	11.00	....	24.50	17.00
May 1	19.50	11.00	11.25	....	24.50	17.00
May 4	19.50	11.25	11.50	....	24.50	17.00
May 9	19.50	11.25	12.00	....	24.50	17.00
May 10	19.50	11.50	12.00	....	24.50	17.00
May 11	19.50	12.00	12.00	....	24.50	17.00
May 18	20.50	12.00	12.00	....	24.50	17.00
May 19	20.50	12.00	12.00	....	24.50	17.50
May 24	20.50	12.00	12.50	....	24.50	17.50
May 29	20.50	12.00	13.00	....	24.50	17.50
June 2	20.50	12.00	14.50	....	24.50	17.50
June 5	[2] 21.50	12.00	14.50	....	24.50	17.50
June 6	22.50	12.00	14.50	....	24.50	17.50
June 12	22.50	12.00	15.00	....	24.50	17.50
June 23	22.50	11.50	15.00	....	24.50	17.50
June 28	22.50	11.00	15.00	....	24.50	17.50
July 12	22.50	11.50	15.00	....	24.50	17.50
July 13	22.50	12.00	15.00	....	24.50	17.50
Aug. 15	22.50	13.00	15.00	....	24.50	17.50
Aug. 21	[3] 23.50	14.00	15.00	....	24.50	17.50
Aug. 31	23.50(b)	14.00	15.00	....	28.50	17.50
Sept. 1	23.50(b)	15.00	15.00	....	28.50	17.50
Sept. 7	23.50(b)	15.00	17.50	....	28.50	17.50
Sept. 8	23.50(b)	16.00	17.50	....	28.50	17.50
Sept. 11	23.50(b)	16.00	17.50	....	32.00	17.50
Sept. 25	23.50(b)	16.00	17.50	....	32.00	[4] 18.25
Oct. 2	24.50	16.00	17.50	....	32.00	[4] 18.25
Oct. 3	24.50	16.00	17.50	....	32.00	19.00
Oct. 31	24.50	17.00	17.50	....	32.00	19.00
1951—						
Jan. 22	24.50	17.00	17.50	....	42.00	19.00
Mar. 13	24.50	17.00	17.50	[5] 134.00	42.00	19.00
Mar. 29	24.50	17.00	17.50	146.00	42.00	19.00
Mar. 30	14.50	17.00	17.50	150.50	42.00	19.00
Apr. 12	24.50	17.00	17.50	147.00	42.00	19.00
Apr. 17	24.50	17.00	17.50	142.00	42.00	19.00
May 10	24.50	17.00	17.50	139.00	42.00	19.00
June 1	24.50	17.00	17.50	138.00	42.00	19.00
June 8	24.50	17.00	17.50	129.00	42.00	19.00

[1] Withdrew fixed price.
[2] Range of 20.50 to 22.50 cents.
[3] Range of 22.50 to 24.50 cents.
[4] Range of 17.50 to 19.00 cents.
[5] RFC reentered tin market on Mar. 12, 1951, as sole importer of tin but set no selling price until Mar. 13 at 134.00 cents.

	Copper (delivered Valley Electrolytic)	Lead (common, New York)	Zinc (prime western, East St. Louis)	Tin—RFC (selling price grade A, New York)	Antimony (99½ percent f. o. b. Laredo)	Aluminum (99 percent plus f. o. b. mill)
1951—Continued	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
June 14	24.50	17.00	17.50	118.00	42.00	19.00
June 15	24.50	17.00	17.50	111.00	42.00	19.00
June 18	24.50	17.00	17.50	106.00	42.00	19.00
Aug. 1	24.50	17.00	17.50	103.00	42.00	19.00
Oct. 2	24.50	19.00	19.50	103.00	42.00	19.00
Nov. 21	24.50	19.00	19.50	103.00	50.00	19.00
1952—						
Jan. 22	24.50	19.00	19.50	121.50	50.00	19.00
Apr. 25	24.50	19.00	19.50	121.50	44.00	19.00
Apr. 29	24.50	18.00	19.50	121.50	44.00	19.00
May 2	24.50	17.00	19.50	121.50	44.00	19.00
May 12	24.50	16.00	19.50	121.50	44.00	19.00
May 20	24.50	15.00	19.50	121.50	39.00	19.00
June 2	24.50	15.00	17.50	121.50	39.00	19.00
June 5	24.50	15.00	16.00	121.50	39.00	19.00
June 18	24.50	15.00	15.00	121.50	39.00	19.00
June 23	24.50	15.50	15.00	121.50	39.00	19.00
June 2[illegible]	24.50	16.00	15.00	121.50	39.00	19.00
Aug. 6	24.50	16.00	13.50	121.50	39.00	20.00
Aug. 11	24.50	16.00	[1] 13.75	121.50	39.00	20.00
Aug. 12	24.50	16.00	14.00	121.50	39.00	20.00
Sept. 12	24.50	16.00	14.50	121.50	39.00	20.00
Sept. 18	24.50	19.00	14.00	121.50	39.00	20.00
Sept. 22	24.50	16.00	13.50	121.50	39.00	20.00
Sept. 23	24.50	16.00	[1] 13.75	121.50	39.00	20.00
Sept. 24	24.50	16.00	13.50	121.50	39.00	20.00
Sept. 25	24.50	16.00	[1] 13.75	121.50	39.00	20.00
Oct. 7	24.50	15.00	[1] 13.75	121.50	39.00	20.00
Oct. 8	24.50	15.00	13.50	121.50	39.00	20.00
Oct. 14	24.50	14.00	13.50	121.50	39.00	20.00
Oct. 22	24.50	13.50	13.50	121.50	39.00	20.00
Oct. 23	24.50	13.50	12.50	121.50	39.00	20.00
Nov. 3	24.50	14.00	12.50	121.50	34.50	20.00
Nov. 10	24.50	14.20	12.50	121.50	34.50	20.00
Nov. 12	24.50	14.50	12.50	121.50	34.50	20.00
Nov. 20	24.50	14.25	12.50	121.50	34.50	20.00
Nov. 24	24.50	14.00	12.50	121.50	34.50	20.00
Dec. 22	24.50	14.25	12.50	121.50	34.50	20.00
Dec. 29	24.50	14.50	12.50	121.50	34.50	20.00
Dec. 30	24.50	14.75	12.50	121.50	34.50	20.00
1953—						
Jan. 2	24.50	14.75	13.00	121.50	34.50	20.00
Jan. 7	24.50	14.50	13.00	121.50	34.50	20.00
Jan. 12	24.50	14.00	13.00	121.50	34.50	20.00
Jan. 14	24.50	14.00	12.50	121.50	34.50	20.00
Jan. 22	24.50	14.00	12.50	121.50	34.50	20.50
Jan. 27	24.50	14.00	12.00	121.50	34.50	20.50
Feb. 2	24.50	13.50	12.00	121.50	34.50	20.50

[1] Range of 13.50 to 14.00 cents.

Mr. DANAHER. In January 1950, it is on a weekly basis; from there on, on a 24-and-a-half-cent price, which prevailed from October 2, 1950, to date.

I therefore ask that that be put in the record.

On each prior hearing we have supplied comparable information for the record so that more meticulous detail can be had for those students of the subject who wish to go into it.

On one other point. There was discussion about the status of the import picture in the 1930's, and the Senator from Nevada asked if I would mention the table that discussed that situation, and I find upon examination of the hearings in previous sessions of the Congress that the data has been carefully compiled with explanatory notes supplied by the United States Tariff Commission in response to requests by Senator George, then presiding, and in the Eightieth Congress in response to requests by the present occupant of the chair.

I will read one portion of the report simply to bear out the point I was making. [Reading:]

The annual excess of exports over imports averaged 88,000 tons during 1935 to 1940, or about 9 percent of domestic production.

The CHAIRMAN. That is finished products, raw material, metallic copper, or what is it?

Mr. DANAHER. It is refined. [Continues reading:]

During the war years, 1941 to 1945, United States imports greatly exceeded exports, the annual excess of imports averaging 672,000 tons, practically all of which entered free of tax for Government use.

Senator MALONE. Did the Government pay the tariff on any imports?

Mr. DANAHER. It does not except in the price under contract.

Do you mean now or did you mean during the war?

Senator MALONE. At any time.

Mr. DANAHER. I will explain that briefly: During the war all imports were made for United States Government account through the Metals Reserve Company, a subsidiary of the RFC.

When I say "all imports," I should make it more clear by saying all from 1941 through 1946. Prior to that, imports were made under Government account by the Uhited States Navy under a World War I statute which authorized the Navy to bring in, duty free, essential critical and strategic materials.

The facts are that during the war the Government paid no tariff. The facts are that now it does because it is involved in the price under defense contracts.

Senator MALONE. They are just paying it to themselves and putting it in another pocket; are they not?

Mr. DANAHER. The question of course goes to the heart of the whole American economic system and our system of markups, because under all American pricing contracts the markups all along the line enter into price.

Senator MALONE. The Government is now paying the tariff?

Mr. DANAHER. Certainly.

Senator MALONE. Of course, there is no tariff now, but you think it would pay it.

Mr. DANAHER. It would pay the tariff were it to be reimposed.

Senator MALONE. What makes you think so?

Mr. DANAHER. For the reason it would be passed along in the price.

Senator MALONE. I have the information here that the Government does not pay the tariff on anything that is to be used for stock pile or anything the Government buys.

Mr. DANAHER. That is what the Senator from Colorado was asking about yesterday.

Senator MALONE. I will read it to you if you care for it.

Mr. Chairman, the appropriations act for the Navy Department through June 30, 1914, contains the following provision. This was in the hearing 2 years ago when this same question was before the committee.

Senator Taft questioned whether they had the right to bring it in without tariff under the statute they were using. Nevertheless, they were doing it, and no one had ever questioned it.

The Senator, of course made that clear. [Reading:]

By Executive Order 9177, dated May 30, 1942, the President under the authority of title 1 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 authority assessed by the Secretary of the Navy under the above-quoted provisions of the act of June 30, 1941.

So, from there on, no tariff was paid. It was an Executive order, and some even questioned the legality of it, privately, but never publicly.

So, they do not pay it and would not pay it if this act were allowed to expire.

You assume this President will write new Executive orders?

Mr. DANAHER. No; I do not.

Senator MALONE. Then, what is the basis of your statement that they would pay the tariff?

Mr. DANAHER. I say the tariff would be payable were this bill not to carry.

Senator MALONE. Well, I say it would not, because this is the order now in force.

Mr. DANAHER. I believe you will find that the order has expired, but anyhow, since it does not go to the merits of the proposition, I do not choose to discuss the matter.

Senator MALONE. You started the discussion, and I wish to follow it through.

If it expired, it would be subject to renewal, would it not?

Mr. DANAHER. That is right.

Senator MALONE. All right, then the Government need not pay any tariff, so it is not pertinent in this case.

Mr. DANAHER. One other point that I wish to develop from the record.

We were talking about the place of incentive payments yesterday, with particular reference to certain contracts which were identified.

Federal Trade Commission reports:

It can fairly be said that the premium plan saved the Government at least $750 million during World War II compared with the purchase policy of World War I, when the price of all copper was set at the level of the highest-cost producers to induce maximum production. The total premiums paid by the Government for copper production—

and remember, this is throughout the World War II—

amounted to only about $75 million. For all metals included in this plan—lead, zinc, and copper—the Honorable Wright Patman estimated the saving of $2 million over what costs probably would have been without the premium plan.

The CHAIRMAN. What is the relevancy of that, Senator?

Mr. DANAHER. Yesterday we were talking about the incentive contracts that GSA had granted to San Manuel, Yerington, and others in terms of bringing out the productivity of high-cost mines.

I was just seeking to develop the fact that productivity, even under the incentive plan through World War I, of all of the incentive-payment mines yielded only 83,000 tons a year, and obviously you could not possibly meet a 600,000-ton-a-year deficit through any such device.

That is all.

Senator MALONE. Mr. Chairman, right at that point I would like to mention the further point that one reason you could not meet the deficit was because mining had been continually discouraged due to free-trade policies of the State Department under the guise of what they called reciprocal trade. They had continually lowered the tariffs below the point of the differential in the cost of production due to the standard of living here and abroad, and therefore there were no new prospects or mines available from which to increase production.

That is the point we are trying to make.

The CHAIRMAN. The mining-State members of this committee understand that situation.

Mr. DANAHER. There is one other point upon which information was sought yesterday; and the information is projected into the future on the basis of probabilities; and, to ascertain what is likely to happen, we must inquire into what did happen; and with that in mind I would like to point out what happened when in 1946 Government price control was removed.

I am reading—and this is again from the Federal Trade Commission's report and survey of this very problem. I am reading from page 21 of The Copper Industry:

> In November 1946 Government price control was removed from copper produced in the United States, and the domestic price promptly moved up from 14⅜ to 17.5 cents a pound. At the end of February domestic price quotations were from 19½ to 20½ cents per pound, and under the pressure of foreign government bidding the price of copper in London had moved up to 22.82 cents per pound. Adding the excise tax to this would mean 26.82 cents per pound for foreign copper delivered in the United States.
>
> Under further pressure of bidding by individual American buyers, the price of both foreign and domestic copper is likely to go much higher unless there is a marked slump in world demand for copper. Up to the end of February 1947 there were no indications of such a slump.
>
> To meet this situation the tax was suspended by act of Congress for a period of 2 years ending March 31, 1949.

Senator MALONE. Who is the author of that document?

Mr. DANAHER. It is the economic staff of the Federal Trade Commission.

Senator MALONE. That has some connection with the economic staff of the then President, I believe, run by the same person, Mr. Keyserling, and his theories.

The CHAIRMAN. Senator Danaher, you may assume this committee knows why the Congress did what it did when it did it. There is no reason to go into what was in our minds when we did what we did.

Mr. DANAHER. There was one other point that the Senator from Vermont asked—the question about what did happen when suspension was not continued there for a brief period—and it is fair to point out that, whereas our imports from South America in 1948 had been nineteen thousand-odd tons, in 1949, 285,000 tons; in 1950, 291,000 tons; when the import tax was reimposed, promptly the supply fell, and in 1951 our imports were only 267,000.

Senator FLANDERS. How do you explain that, Senator?

Mr. DANAHER. We lost to world competition. The copper is in world short supply. It is not only domestic.

Senator FLANDERS. What we took then went to other industrial countries.

Mr. DANAHER. It went to Sweden, Norway, Belgium, France, and so forth.

Senator FLANDERS. That is difficult for me to understand because that 2-cent price was not added to the world price until it passed our customhouses. It was entirely a domestic matter.

How did that supply shift when there was no change in world price?

Mr. DANAHER. Senator, you should realize—and I am sure you do, upon a moment's reflection—that, if it was only the United States Government that was buying it all, there would be no question.

But it is not a case of the United States buying the total supply when we talk about the total production in the United States.

Senator FLANDERS. You are saying that individual buyers in the United States refuse to pay 2 cents more.

Mr. DANAHER. That is right.

Senator FLANDERS. It may not have been a buyers' strike?

Mr. DANAHER. That is right.

Senator FLANDERS. Why not?

Mr. DANAHER. They looked for substitutes. They went to blastings. They went to aluminum. They began to use aluminum in cable and transmission lines.

Senator FLANDERS. That was 2 cents on how much?

What was the import price at the time?

Mr. DANAHER. The same as today. No; I beg your pardon. The 36.5-cent price was not in effect then.

Senator FLANDERS. What was the price?

Mr. DANAHER. The world price at that time—I would have to ask one of the economists of NPA who is here.

Could you remember, Mr. Haycraft, what the world price was in 1951?

Mr. HAYCRAFT. To my recollection it was about 20 cents a pound at that time.

Senator FLANDERS. Is there any other commodity in the world in which such confusion would take place with the addition of 10 percent on the price?

Mr. DANAHER. Sir, I cannot answer that.

Senator FLANDERS. I cannot either. It is a mystery to me. It looks to me more like a buyer's strike than anything else, with the hope of having the 2 cents off again.

Mr. DANAHER. No; do you know, sir, that Germany was paying 55 cents, Norway was paying 60 cents?

The world market, in other words, for copper was demanding the supply.

Senator BENNETT. Mr. Chairman, have we not just heard testimony that the world price was 20 cents?

Mr. DANAHER. I mean while this suspension continued.

Senator BENNETT. Apparently I do not understand the testimony, but we have just been told that, when the suspension was lifted and the 2 cents was applied, the world price was under the domestic price.

Mr. DANAHER. That is right.

Senator BENNETT. And then you tell us, because there were bids of 50 cents and 60 cents against the 20-cent world price, suddenly copper was no longer imported.

Mr. DANAHER. And "suddenly" is the word. The changes occurred suddenly. That is exactly what happened. It got so bad that Congress resumed the suspension of the tax.

Senator FLANDERS. Again, Senator, I cannot see how the 2 cents difference between 20 and 22 cents had the slightest effect upon the demand measured in terms of 40 cents and 50 cents. It just does not make sense to me.

Senator BENNETT. What was the domestic price at that same time?

Mr. DANAHER. The domestic price of 1949 was, high, 23½; low, 16. In 1950 it was 18½, 19½, 20½, 21½, 22½ by June, 23½ by August, 24½ by October, and it has been at 24½ ever since under OPS orders.

Senator FLANDERS. That rising domestic price at least did not seem to disturb the market, but I must say, Mr. Chairman, it has been very difficult for me in all this testimony to conclude that the 2-cent duty is a very serious item in the whole situation.

It seems to me that the serious item in the whole situation is the possibility of the removal of controls, and that the 2-cent duty is a flash-back as compared with the possibility of removal of controls.

I cannot get excited about the 2 cents.

Mr. DANAHER. I will get the exact figures on world price over the period. I would like to have them myself, and I do not remember.

Senator FLANDERS. It is still a mystery to me why a 2-cent additional cost of foreign copper in this country—not elsewhere—produced such a change in world market conditions, because it must have come from a change in demand in the country, not outside the tariff area, but in the country.

It would appear to me very strange that 2 cents on 20 cents should have led to a complete disorganization of the import of copper unless it was a result of waiting before further purchasing, in the expectation that Congress might reverse its action; as it did.

In other words, it was rather wise on the part of purchasers of copper to have laid off buying and see what Congress was going to do. It worked.

Mr. DANAHER. No.

Senator FLANDERS. It did work.

Mr. DANAHER. If the hypothesis of laying off buying could be said to have been established, then we can conclude that it worked, but we were at the mercy of these foreign producers.

Senator FLANDERS. The foreign producers took no action. It was the purchasers inside who took the action.

Mr. DANAHER. Senator, we had a contract price under an arrangement with Chile in 1952 at a rate of roughly 32 cents. In May 1952 Chile repudiated the agreement. Chile piled up all the copper and did not sell it to us. They put a price of 36.5 on it, and that is the price today.

Senator FLANDERS. That is interesting. That is true. But I do not make the connection with the 2-cent duty.

Mr. DANAHER. I am just explaining to you how it is. When we depend, as we do, for approximately 60 percent of all imported copper on Chile, and Chile has supplied over 40 percent of all the copper imported since 1940, and there is a world shortage and world demand, Chile is in a position to sell us copper whenever it wants to.

Senator FLANDERS. What has that to do with the 2-cent duty?

Mr. DANAHER. It has this to do with it: Suppose that you do not have any controls in this country. No controls, no OPS or allocations, priorities or otherwise. Then, do you not see, the Senator's company in New England, let us say, wants to buy copper. It can buy domestic copper if it has an arrangement with a domestic copper producer—a domestic copper producer with integrated connections, if you choose, all the way from the mine to the fabricating end of it.

His arrangements with that particular company make it possible for him to acquire his copper on a domestic price, on a contract-price basis.

Senator FLANDERS. That is understood.

Mr. DANAHER. What do you say about the independent who has no producer connection who then has to hurdle the tariff wall and pay $40 a ton for his copper because he has no connection with any domestic production?

Senator FLANDERS. He has to pay 2 cents more plus a very much higher import price, and it certainly amazes me that the industry was able to proceed under this continually rising copper price clear up to 36.5 cents a pound. It got scared stiff and the whole trade was disorganized when 2 cents a pound was put on it for the duty.

I just do not understand why trade was disorganized in one case and not in the other, in that advance from 20 cents a pound to 36½ cents.

You would have thought that would have thrown the industry into utter, unworkable confusion, judging from the basis of what is reported on this 2-cent advance.

Mr. DANAHER. The Government says it cannot tolerate this, and the Government created OPS. The Government created a materials distribution plan. The Government authorized allocations. It established priorities.

Because, when the event occurred across the Pacific in the spring of 1950—some people call it a police action and others a full-fledged war—but the fact remained that for defense procurement and for the maintenance of national economy those orders were felt to be necessary.

So, whatever the Senator's thinking might be, were the entire thinking to have been confronted by a free world market, that was not the fact, and from 1951 and 1952 and down to this very minute you are confronted with the Korean situation.

That is what is back of the whole situation.

Senator FLANDERS. Mr. Chairman, without asking further questions, may I make this observation, that the 2-cent duty seems to me comparatively unimportant one way or the other.

The question as to whether or not controls are to be removed from copper seems to me to be tremendously important.

The CHAIRMAN. If the Senator were to solicit my opinion—which he has not done, but which I shall nevertheless express—I would say the immediate question for us is a very small tail on a very big dog; and, if we stick to the immediate question before us, we ought to dispose of it expeditiously.

Mr. DANAHER. For my part, I have concluded. I feel that the record justly and properly establishes the wisdom of the Congress in the past; that the operations of the law have proved successful; that an assurance of continuous uninterrupted supply of copper is essential both for civilian and defense requirements; that, where you are faced with the 90-day processing of the ores and a 90-day pass-through, through the fabricating plants, any interruption in the continuity of supply can be disastrous, and once again we can be faced with the loss of continuous supplies of copper from Chile, as happened before, regardless of what the exact figure was on that world price; and that is what is involved on a $40-a-ton import tax.

The CHAIRMAN. Senator George, any questions?

Senator GEORGE. No questions.

The CHAIRMAN. Senator Hoey?

Senator HOEY. No questions.

The CHAIRMAN. Senator Butler.

Senator BUTLER. No questions.

The CHAIRMAN. Senator Flanders.

Senator FLANDERS. No questions.

The CHAIRMAN. Senator Malone.

Senator MALONE. You mentioned producer connections.

Would you tell us who has these producer connections?

Mr. DANAHER. The most important one, of course, is Phelps-Dodge, a very fine company. Second most important in terms of purely domestic production is Canada.

Senator MALONE. What are the producer connections?

We are talking now about the fabricated articles. You mentioned that there were producer connections.

Mr. DANAHER. Well I do not know all of them but to illustrate the point, take Phelps-Dodge Mining Co., which is a copper producer whose properties are largely located in the southwest of the United States.

It owns the Phelps-Dodge Copper Products Corp., which is a fabricating concern.

Senator MALONE. Where is that company located?

Mr. DANAHER. I do not know, but it is in the United States.

Senator MALONE. Are there other connections with which you are familiar?

Mr. DANAHER. I know that Kennecot, for example, owns various fabricating plants and no doubt the Anaconda concern owns Anaconda Wire & Cable.

Senator MALONE. Are there any interests in these brass companies in Connecticut?

Mr. DANAHER. There may well be, and I hope so.

Senator MALONE. Are you not familiar with that connection?

Mr. DANAHER. I believe that there are connections between Kennecot and Chase.

Senator MALONE. Is it not a fact that most of the brass-fabricating companies have copper-producer connections?

Mr. DANAHER. I would doubt that, frankly.

Senator MALONE. I am talking about the principal ones.

Mr. DANAHER. I would still say I would doubt it.

Senator FLANDERS. Will the Senator excuse me for a question?

It is my impression that the copper you represent, Revere Brass, has no producer connections; is that right?

Mr. DANAHER. That is right, and that was the point I was seeking to make in my discussion.

Senator MALONE. You made the point but many of the fabricators of brass products do have these producer connections with the chief copper-producing companies, such as Anaconda, Kennecot, and Phelps-Dodge.

Mr. DANAHER. Yes.

Senator MALONE. You spoke of the competition in the world market; foreign nations paying 40 or 50 cents per pound.

I think it went higher than that where we were furnishing those countries money to compete with us in the open market, through the Marshall plan, and ECA, and the International Bank, and other Government institutions.

We would loan them the money. It did not make much difference to them what they paid for the copper so long as we paid the bill, so they would go into the open market and bid it up 40 or 50 cents and I think as high as 60 cents, bidding against each other and us.

I think you will find upon investigation that the ECA or the Marshall plan—just what year it was I do not know, but I covered it in some of my investigations—that they furnished 90,000—I am a little vague about the amount but it is a tremendous amount of copper—90,000 tons of copper to France; they bought it on the open market and sent it over there without any repayment required. We are a very generous nation.

That kind of action on our part brings about the competitive market that you just described. I believe we are entirely in error in doing those things but we try so many ways to spend the taxpayers' money that we meet ourselves coming back.

I entirely agree with Senator Flanders, confirming the argument, that the import fee has no visible effect on the price when the world price is above the domestic price. Of course, as you probably well know, most of the Chile production is handled by two companies and they produce a very large amount of copper, here. It is very easy to balance production back and forth when we have a scarcity here or an oversupply there, in peacetime.

In wartime then, we want copper immediately. No exploration has been done over the years by any independent private capital, so the only method left to us is to start putting the pressure on the existing mines.

I will ask you if you noted the testimony offered yesterday by the Tariff Commission men who seemed to be very capable and seemed to have a very fine background in mining to the effect that it would require the companies, with which the Government has contracts, as much as 5 to 7 years to get into production.

You did not know that?

Mr. DANAHER. Yes.

Senator MALONE. What do you think caused that situation? Is it lack of exploration and incentive of private capital to do the job, with the result that Government must come along and furnish the money in an emergency?

Mr. DANAHER. I can only speculate on the basis of information furnished by some of the best minds in the industry who tell me that every square yard of territory in this country has been explored and explored for years in the effort to search out every possible copper lead.

Now if there be a possible productive vein, somebody has moved into it. In those instances where it has not been done, it has not been productive to do it or the cost of development would be so great that it could not economically be feasible.

These operations run anywhere from $150 to $300 and $450 million to put these big mines into production status such as you heard about yesterday.

That is why it is that where the high cost of the production of these mines such as San Manuel, and Yerington, and the declining ore reserves in Calumet and Hecla which are being revived, all those sources require higher prices in order to bring them into adequate production and it is a big operation and it costs a lot of money.

Senator MALONE. Is the Senator personally familiar with any of these areas?

Mr. DANAHER. I am not personally familiar with the areas and what I was just saying I say I got from talking with the experts who have to decide whether they will put their money into these things or whether they will not.

Senator MALONE. I gather you were talking with the experts, who are independent of foreign production?

Mr. DANAHER. No. I offer you an excellent case right here before the House Ways and Means Committee.

Here is a case where Mr. Norman Hickman was testifying in answering Wilmer Mills.

I read from page 75 of the House hearings on 501, for July 10 and 11, 1950:

Norman Hickman is one of the finest men in the field. I heard Senator Lucas in this committee say that he regarded Norman Hickman in his appearance here 4 years ago as presenting the finest testimony that he ever heard in his experience in legislative history. Let me read what he says. He is talking about Nevada.

Senator MALONE. Establish Mr. Hickman, who is he?

Mr. DANAHER. Mr. Hickman is one of the officers of the American Metal Co., Ltd., a New York corporation.

The Morris-Brooks Division—he is talking about an operation in Nevada.

> The Morris-Brooks division; part of that mine which is shut down, gave about 500 tons of copper a month. It is a negligible addition to the tremendous deficit with which we are faced. It would require a sustained market at a price level which I personally consider rather rash for the long-range good of the copper industry, a price level, say, well above 25 cents or 26 cents to reopen that deep mine. It has simply reached its economic life and had to pass out. That happens to a lot of very honorable mines in the country, unfortunately.
>
> Mining is something that you can not develop quickly. I must say that speaking for my own company, we have money and we would welcome the opportunity if anyone sees some good profitable ore deposits in the West just on the verge of being opened up, of going along with their financing. I am not aware of any except some held property of which you have heard talk and which is a considerable property which is some years off in production.
>
> There is also, I know, a fairly sizeable low-grade ore body out in the Lake Superior region. That also is a matter of increase in new technology in mining and there is no major contribution to our needs forseeable in the next 2 or 3 years.

Now both of the properties he is there talking about are under the contracts that we heard described yesterday.

Senator MALONE. Would you tell me a little bit more about this property that was passing out of production.

Mr. DANAHER. I do not know. I just know what he said.

Senator MALONE. I think I know something about it. I will pass that right at the moment because he did not go into it enough for us to take it into consideration here.

Mr. DENAHER. I was not trying to have you do it. I was just trying to answer your question.

Senator MALONE. You are trying to establish a condition and so I will help you.

In the Yerington set-up, 24.5 cents is the contract price, is it not?

Mr. DENAHER. I thought he said yesterday when he came back, 25.5—25 or 25.5.

Senator MALONE. Whatever it is. It is in that neighborhood; 25.5 cents per pound.

That is the 25 cents that Mr. Hickman thought would be entirely out of reason to continue development when this mine was passing out of production.

Mr. DANAHER. That is right.

Senator MALONE. So Mr. Hickman does not make a lot of sense in that connection. The Government is now making these contracts.

Are you familiar with the fact that the Yerington deposit has been known for about 40 years and that this is about the third or fourth company that has tried to make it go?

Mr. DANAHER. No.

Senator MALONE. For your information, I would like you to know something about that deposit. It is going to contribute substantially to the copper production of the country and could have, at any time, had the price justified it.

I will say in passing that Senator Flanders has a very keen mind in regard to these matters. If the Government had let the price follow the foreign price and we had some long range protection for an investor of venture capital so that he could put in the 5 or 6 or 7 years or longer that is necessary to develop a mine and if the investor had some assurance of a fair return on his investment, then you could safely say to the ex-Senator from Connecticut that you really would have a well developed mining industry in this country.

The most preposterous statement that I have ever heard is that every yard of the area has been examined. That, of course, is an utterly impossible statement. No responsible engineer would ever make such a statement.

Of course, it has been suggested that no one can talk so convincingly on a subject as someone entirely unhampered by the facts.

Now the facts are that there was a smelter at Wabuska, Nev., 30 years ago trying to make this property go and to get enough custom ore from other areas throughout the West to make it run but the competition was too keen in smelting. Smelters were a little too big elsewhere and they could lower the price and manipulate the freight rates. I know because I was the engineer employed after World War I to find out about this particular smelter. The smelter was finally wrecked before we won the case in court.

I want to give you the history of this one project to show you that you cannot develop a mine during a war.

Mr. DANAHER. You do not have to convince me of that.

Senator MALONE. I certainly do, because your whole testimony is to the fact that the reason we have to have free trade is because we cannot get enough copper by pressing existing mines, when as a matter of fact the opposite is true. The reason that we are now short of copper is because the irresponsible State Department, to which the constitutional responsibility of Congress to regulate foreign commerce has been transfered, lowered the tariff and made it impossible to get investment capital into the industry.

In other words, we need a long-range policy by Congress, that would furnish this floor under wages and investments—Congress should regain its constitutional responsibility in regulating foreign trade. The Constitution fixes that responsibility in the Congress. The Congress transferred that responsibility to the State Department so that the executive department regulates foreign trade. A duty they never had and which never was contemplated by the Constitution. It is probably unconstitutional.

The Secretary of State, through a treaty with Chile, in which we get some fancied advantage through a reduction of their tariffs on certain products, reduced the tariff on copper from 4 to 2 cents per pound.

However through a manipulation of their currency values, quotas and trade-permit restrictions, they refused to allow us to trade there except in the things they want us to bring in.

In other words, there is no reciprocity with any of these countries, never has been and was not contemplated.

Congress has politely transferred its authority to the State Department to do this thing to all industry, not only to the mining industry, but to the textile and other industries.

However, I did not intend to go this far because I do intend to make a statement before the committee myself and I do intend to allow anybody who wants to ask any questions to ask them, including you, because I have had the privilege of asking you questions. The very statement that the man, Mr. Hickman, makes proves the other side of the case, that there has been no stability in the mining industry over the years and therefore you have no prospects. Of course, if we have to go into how many prospects there are, I am prepared to do that, because I made a report on the 11 Western States and I know where these copper deposits are. I might say to you, and the Anaconda general counsel is here, that they spent 3 or 4 years drilling, diamond drilling, and spending thousands upon thousands of dollars prospecting at depths the copper prospects at Yerington before they would even pick a contract with a guaranteed price from the Government. I was familiar to a certain extent with what was going on.

Now they are going in and spend $30 million or $40 million in 2 years before they mine any copper.

In other words, if they were only starting exploration now, it would be the fourth world war before we would be ready.

The very argument you have made is an argument for a policy established by Congress, a definite, long-range policy. That is the point I wanted to make.

The CHAIRMAN. I take it you are finished, Senator.

Mr. DANAHER. I thank you.

The CHAIRMAN. I suggest that you be excused.

Mr. DANAHER. The Senator and I have explored this with each other for years with no particular result. I appreciate his constant courtesy.

The CHAIRMAN. Senator Malone, do you have further witnesses?

Senator MALONE. No, I do not.

The CHAIRMAN. Do you have any further remarks?

Senator MALONE. I would ask the chairman if possible, to just be a witness before the committee.

The CHAIRMAN. We will close at 1 o'clock.

Senator MALONE. Now I will ask the permission of the chairman to be an ordinary witness and allow Senator Danaher or anybody to ask questions.

The CHAIRMAN. Permission is granted.

STATEMENT OF HON. GEORGE W. MALONE, A UNITED STATES SENATOR FROM THE STATE OF NEVADA

Senator MALONE. Mr. Chairman, I want to say that in my opinion the Finance Committee of the United States Senate can and should be the safeguard of the economic system of this Nation. The question particularly before us today is that of foreign trade.

RESPONSIBILITY OF CONGRESS

The Constitution of the United States charges the Congress with the responsibility of regulating foreign trade and this committee is charged generally with the subject that is covered by the bill before us that relates to foreign trade.

Mr. Chairman, the whole tone of the President's message yesterday laid down the policy of constructive plans to encourage the initiative of our citizens. He was equally positive in rejecting secret military treaties at Yalta, Tehran and Potsdam. While he did not mention the name of these places, it was generally taken for granted that he included them.

The President could well have included secret economic treaties made at Geneva, Switzerland, and later at Torquay, England, by that same State Department.

NO AMERICANS ALLOWED

Mr. Chairman, no American workers, investors nor members of Congress were allowed to attend the Torquay economic conference sponsored by our State Department any more than they were allowed to attend the military conferences at Yalta, Tehran, and Potsdam. It was under these conditions that the agreement was made with Chile at Geneva, Switzerland, to reduce the tariff on copper. The floor under wages and investments in that important industry of four cents per pound reduced to the arbitrary and meaningless amount of 2 cents a pound.

LONG RANGE WAGE EQUALIZING POLICY NEEDED

Now, Mr. Chairman, the crux of the question seems to be whether the Congress should resolve the equalizing medium between the wage standard of living, here and abroad, whenever the foreign price is higher, or whenever we do not produce sufficient copper.

In other words, the point has been made here several times that you only need a tariff on a product when you have an oversupply.

OBJECTIVES—STATE DEPARTMENT

To arrive at a wise conclusion, objectives must be clear and well defined. The objectives of the State Department have been clearly to admit certain products of their own choosing of the foreign low wage standard of living for the products produced by our own standard of living working people, and therefore remake the industrial map of the United States of America.

It is easy to do that. By manipulating that protection that makes up roughly the differential between the wage living standard here and abroad, you can remake the wage standard of living in this country and we have been engaged in doing that for 20 long years. The thing they have done in many cases to hold this industry to a certain point and not let it fail entirely—and we are talking about minerals, which is in that field—was to provide certain kinds of subsidies, and when we have emergenceis—and they have had them almost continuously—to fix prices, premium prices, short amortization periods, guaranteed unit prices, loaning the money direct to the operator, and many other subterfuges to keep the industry from dying entirely but not allowing it to stand on its own feet. Such a fallacy as the State Department has followed puts all investors in jeopardy and discourages venture capital in the particular business and the policy discourages such investments in the business since it is a sharp-shooting method and no assurance can be given any business that it will not be the next on the list.

CONGRESS DISCOURAGES PRIVATE INVESTMENTS

I might say that Congress, to the extent of its machinations in the copper field and other entries into this field has encouraged that feeling. Congress has in its power to lay down the principle upon which the protection of the workingmen and investors will be based that will encourage the investment of venture capital.

Venture capital is the only kind of capital that goes into a mining business until the soundness is proved in that particular mine. In other words, it is just like a wildcatter in the old field, the prospector and the explorer.

Unless they have reasonable assurance that over the long years stretching ahead of them, where they have been spending money without return, that when they find this ore there will be an adequate return, then the money will not be spent.

FLOOR UNDER WAGES AND INVESTMENTS

Such a floor under wages and investments should be flexible and adjusted on the basis of fair and reasonable competition and should be, Mr. Chairman, without any doubt, in the hands of an agency of Congress. It always was in the hands of an agency of Congress, created by Congress, created by the legislative branch of the Government—not the executive branch of the Government or the judicial branch of the Government, but by the legislative branch of the Government. That was the Tariff Commission.

Now whatever you call it, whether you call it a foreign trade authority or Tariff Commission, that is immaterial. Whether you call a tariff a cow or an orange or an import fee it does not make any difference. The principle is there and must be maintained if you are to maintain your standard of living without a continual war, or emergencies, upon which you can base your reason for continually raising taxes and issuing more bonds to buy everything in sight.

OBJECTIVES—CONGRESS

The objective, Mr. Chairman, then of the Congress would be to maintain our own economic integrity and encourage the domestic production of strategic minerals and materials in the interests of national defense and our national economy.

My concern, Mr. Chairman, is to develop new copper supplies in the United States. In the mining industry you must have prospectors. You must have investors who are willing to put up their money for exploration. To keep these men in the field at their own expense they must have reasonable assurance that they are not going to be destroyed from Washington, either by the legislative or the executive department.

I point out again, the executive department is always fighting for more power. I hope we have passed the peak of that fighting for power, and naturally, of course, the Congress in days gone by probably fought for power. Even the Supreme Court has been accused of trying to make law through decisions. I am not a lawyer and I will not comment on that.

CONGRESS SHOULD REGAIN ITS CONSTITUTIONAL POWER

However, if we could just get back to the Constitution of the United States and let the Congress of the United States regulate that which it says it must regulate, in this case I feel there would be very little difficulty.

To keep these men, exploration organizations and prospectors, in the field at their own expense, they must have reasonable assurance that they are not going to be destroyed from either the executive or the legislative department in Washington. To have large mines you must first have small mines. For small mines you must have prospects.

PROSPECTOR—SMALL MINE—LARGE MINE

I would say over 35 years of observation and experience, perhaps 500 prospects may yield a small mine. Every one of those prospects represents the buried hopes of some prospector. Perhaps he goes on, gets another stake and goes to another prospect. While he is digging in that prospect and until it inches out on him or until someone convinces him it is hopeless, his full hope is buried in that one prospect. Five hundred of them would be a minimum for a small mine.

Perhaps 100 small mines—a prospect where some engineer might come in and recommend a company with whom he has connections or an individual would spend \$500 or \$1,000 or \$5,000 or whatever it would take—take 100 of those small mines and it would produce a larger mine. I expect if the record were searched, it would be nearer 200 or 300. All along are strewn the hopes of these men who are trying to do this. Why do they stay with it? They do it because prospecting, exploration, and mining gets to be a disease once they are in it and they have that bag of gold or they think they have it at the end of the rainbow. That is what keeps them going. Lately we have not been developing many of those men because for 20 years there has been no hope. Instead, what you do is move into Washington and try to get next to some Government department to loan you the money and guarantee a unit price and a short amortization period and maybe other emoluments so that what you are doing is furnishing the know-how—if in fact you have it and a lot of them get the money who do not have it. The result is that the taxpayers of the United States are in the business whether they like it or not. That, of course we have all kicked about, that that is one of the reasons why taxes are too high and appropriations are too high.

GOVERNMENT DOES NOT PAY TARIFF

The Government does not pay the tariff. That has been established here before this committee time and again. That is true on any product imported for the use of the stockpile. The President has that power and the power has been exercised.

If any material is imported by a private concern selling its products to the Government for national defense, the tariff would be paid to the Government and charged back to it through the manufactured product. In any case, the cost of the raw materials in proportion to the labor and other costs going to the manufactured article is comparatively small.

I want to refer briefly here to a remark that is made in editorials and articles in newspapers, who either mistakenly or otherwise support such a policy, to the effect that the original tariff was $40 a ton on copper. That sounds like an awful lot of money. But I would point out that the tariffs on the brass products that are manufactured are 15 or 20 percent. There is copper in something like a lipstick that costs a dollar, the copper content would be so small you can hardly measure it, but still, let us say it was half an ounce. What would 50 cents of ad valorem on that, amount to per ton? Nearer $10,000 or $15,000 a ton, I would say. So I agree fully with Senator Flanders that it has no possible connection with the flow of copper.

NEED CONSISTENT CONGRESSIONAL POLICY

Of course, the point is continually made and has been made before this committee this time, and it was made 2 years ago when this matter was up for extension, by the advocates of free trade on a certain product, that since we do not currently produce enough copper for our own use, we must eliminate the protection to the domestic producer. In fact concerning, any product which is in short supply, free trade should be the rule.

The point is further made that when we reach the point of full and adequate domestic production for the domestic market, then such product or industry must have protection.

The utter fallacy and futility of such a policy is fortunately readily apparent. The argument falls of its own weight. The conclusion is inescapable, if you take that philosophy, then, that if they believe that in the fields of minerals, precision instruments, crockery, and dozens of other essential products and industries, such industries must prove their ability to produce to the saturation point of the American market in competition with the products of low-wage foreign labor before protection will be afforded them.

CHURCHILL CLAIMED THE "TRADE, NOT AID" SLOGAN

It is a preposterous statement. They are selling it to the country through such slogans as "reciprocal trade," "trade, not aid," and all the preposterous slogans that, in the first place, Americans rarely invent. The last one, "trade, not aid," is the only one recently that I have seen Mr. Churchill claim. He said when he landed in America that what they meant by "trade, not aid," was lower American tariffs. I quoted him in a release.

In other words, it was not an American slogan. I have a pile of photostats from national magazines and editorials which covered this country nearly a foot deep immediately following the election. Mostly they were in the weeks immediately following the week of the 17th of November. That week was the thickest wave that went out, selling "Trade, not aid."

In other words, they were telling us to milk the taxpayers of this country and give them the money.

They would let us off the hook for a certain amount of that money if we would give them our markets or a source of the income that we have.

REQUIRES YEARS TO DEVELOP A MINE OR A MINER

It requires, as I have already stated, years to develop a mine or a miner. A miner is like a watchmaker or is like a mechanic or anyone else. It takes years to develop a good one. Mere technical information is not sufficient. Nor is it very much necessary. Experience is necessary for a workingman in a mine.

Four or five years is necessary to develop a mine.

Mr. Chairman, I have worked in the mines. I have worked in the mills.

The first job I had in a mill was using a No. 2 shovel on a concrete floor, on the mill floor. I finally worked up to the filters, which is not a highly technical job. You do not have to understand all the effects of the chemicals but you have to know the proportions to mix. Many of us learned that before we went to the universities.

You cannot develop, as I have already said, a mine during an emergency. It has to be done over a period of years. The history of nearly all the large mines will show anywhere from three or four to a half-dozen organizations and individuals who have wrecked themselves and their fortunes in working on these things. They have taken up a homestead. It sounds nice to take up a homestead out in the sagebrush. About the third fellow who gets it will make something out of it. The other two fade out of the picture for some reason.

The representative of the Tariff Commission here yesterday testified that some of the mines the Government is financing or supporting in one way or another would require as long as 7 years to bring into production. I would say that is not uncommon. I think they are very lucky and they will find these mines they are bringing in like the Yerington one were very well prospected, as much as could have been done with nominal finances, long before these companies came in who now have the Government's support. I would say they would be lucky if they could do it within 7 years, and after all the work had been expended.

Anaconda Co. would take about 5 or 6 years, counting their exploration work and expenditure, before they go into production.

As a matter of fact, they went through all this work before they were even willing to take the money from the Government and the short amortization period and go to work for them.

NEED GOING-CONCERN MINING INDUSTRY

Mr. Chairman, you are from a mining State and you know the record is a familiar one in the development of mining properties. This time that it takes to develop a mining property; a long time is the rule and not the exception. Nothing but experience develops a prospector or a miner. Years and not months are required for the job. Therefore, we must have a going-concern mining industry. How can you do that? By a Congress whose duty it is establishing a definite policy relating to the domestic production and foreign production and foreign trade and allowing such policy to become the settled principle upon which the potential investor of venture capital can depend. Congress set the precedent in establishing the Interstate Commerce Commission, on principle. The railroads had for many years treated shippers as individuals making concessions as pleased them, every road having a different rate in many cases and almost a different rate for every principal shipper.

CONGRESSIONAL POLICY SIMILAR TO ICC

Congress established the ICC, the Interstate Commerce Commission, to have jurisdiction over all railroad rates and set down a definite policy to be followed. What was that policy? It was the principle of a reasonable return on the investment. They did not say that a rate should be a certain amount here, and a certain amount there, but they said that there should be a reasonable return on the investment and they set up the ICC to study what that investment was, truly, and establish a reasonable return.

Mr. Chairman, I have served 8½ years on a State regulatory body and have held many hearings for the Interstate Commerce Commission. The principle works.

Congress could do exactly the same thing in this field. It could say to the Tariff Commission, or the Foreign Trade Authority, or whatever they wanted to set up with that responsibility—certainly not the State Department—and say to them, "You shall determine the tariff or the import fee, or whatever you choose to call that differential between the production cost in this country and abroad due mostly to the difference in the living standards here and abroad; you shall determine it on a basis of fair and reasonable competition." That is what they could do. Turn them loose. Let them go.

There are competent men in the Tariff Commission. I have not reviewed the list very recently but the only difficulty with them in the last 20 years is that you have had a State Department and a Tariff Commission—at least two or three members of it—who have definite ideas on how it ought to be done. They have no right to have ideas on how it ought to be done. The Congress should establish the policy as to how they should do it and they are the technicians to do the work.

They do have a right under the so-called Reciprocal Trade Act, which is not reciprocal at all, and the two words do not occur in the act --I guess the committee is entirely familiar with that; it is a 1934 Trade Agreements Act and it is simply an act that transferred from the long experience of the Tariff Commission, the responsibility of fixing tariffs to a State Department that has no interest in, or knowledge of, industry.

They have some foreign policy where they think they can trade certain industries to bring about free trade.

STATE DEPARTMENT ESTABLISHED "FREE TRADE"

Congress did not set this free trade policy. The executive department set it through the State Department. In other words, the mere transfer of the responsibility of setting these traiffs did not establish a free-trade policy. However, Congress made the mistake of bestowing that power on a State Department that had free-trade ideas. Therefore, they carried them out.

They proceeded of course to lower practically all tariffs below that point of the differential of cost of production here and abroad due to the differences in the wage standards of living. That has the effect of free trade, even it it is only a few percentage points below that differential.

Now, Congress in my humble opinion must take cognizance of the effect of transferring its constitutional responsibility to the State Department and regain and accept its responsibility. It must return that responsibility to its own agent, the Tariff Commission. If they want to change the Tariff Commission in any respect, they have full power to do it, and lay down the policy which it is to follow, just as it did in the case of the ICC.

Now, Mr. Chairman, there has never been any question in the minds of the people who want to protect the investor and the workingmen, of a high or a low tariff. You have that thrown at you from every side—that you want to put a fence around the United States; that you want to preclude the entry of all products. Nothing of the kind is contemplated. Of course, an industry may have that wish at times, but no one who is charged with the responsibility of such a policy wants to do it. What they want is a tariff or import fee or whatever you choose to call that differential to be based on a fair and reasonable protective basis where the foreign countries have equal access to our markets but no advantage.

It must return the responsibility to its own agent, the Tariff Commission, or whatever we choose to call its own agent.

The policy laid down should be that of a flexible tariff or import fee, and be continuously adjusted upon the basis of fair and reasonable competition.

There is no tariff on products which we cannot produce or do not produce in sufficient quantities for competiton, such as tin, nickel, natural rubber, spices, hemp, and so forth. No one has ever contemplated such a thing. That would simply be a tariff for revenue only.

However, we are past the point of sharpshooting. You cannot say to zinc and lead and copper that you must have free trade because there is short supply.

You cannot say to the textile industry that you will lower the tariff to allow England and Scotland and other competitors to come in with their low-cost labor, but make it unprofitable for those countries to hold their labor costs down.

In other words, if they paid the difference into the United States Treasury a while it would not be long until the wages and the standard of living would go up and create a market in their own country.

THE WOOL INDUSTRY

Now, Mr. President, I want to show further the utter fallacy of the theory that anything in short supply must be free trade. Of course, when you take the tariff off then you are always going to be in short supply.

I just had a wire this morning. I have not seen K. C. Jones, who is the secretary of the National Wool Growers Association, for almost a year. This is a wire from Denver, Colo., dated the 3d:

> Allied Wool Industry Committee with National Wool Growers Association, National Wool Marketing Corp. and Western Wool Handlers Association, meeting in Denver today, adopted resolution of policy your statement on foreign trade as made by you in Reno, May 9, 1952.

What was that statement, Mr. Chairman? The wool people of the United States, represented nationally in Denver, your own home town. What is this principle they adopted on the third? This is it. It is taken from domestic and foreign principles that I laid down in one of my speeches.

> Promotion of world trade should be on the basis of fair and reasonable competition and must be done within the principle long maintained that foreign products of underpaid foreign labor shall not be admitted to the country on terms which endanger the living standards of the American workingmen or the American farmer or threaten serious injury to a domestic industry.

Now, Mr. Chairman, to establish the utter fallacy that these things only refer to an industry where there is a full production for the domestic market or an overproduction, I have established here the wool production for the year's domestic production 1949, 1950, 1950–51, and the consumption for those years, both domestic and imported. I wanted to read one of them and submit it for the record.

[Pounds]

Year	Domestic produced	Imported	Consumption
1949	120,376,000	272,503,000	500,361,000
1950	119,036,000	466,848,000	634,909,000
1951	117,915,000	361,216,000	484,157,000

Now, Mr. Chairman, the question of wool is not before us. It will be before we are through. It is a strategic material because we do not produce the amount we need. So what did we do? We passed the tariff in 1947 which was vetoed by the President and then a subsidy encouraged by him or suggested, and we passed it. But the subsidy has long since passed out of all usefulness because it does not make up the difference and we are going out of the sheep business and wool business in the United States of America. Of course, we will never entirely go out of it but there is no incentive to go into it. No one in his right mind is going to buy a band of sheep because of the continual fussing with the tariff in the Congress and in the State Department.

WORKERS WAGES—CHILE

Now, Mr. Chairman, there was particular reference to the production of copper in Chile, which is the principal exporter to the United States and will be for some time until probably we are in full production or increased production in South Africa. One of our domestic companies is interested in Africa, and I think some English companies and there is a tremendous potential production there. This thing has only started.

The Chilean copper worker receives an average of about 146 pesos per day. The free market exchange of the Chilean peso fluctuates at around 125 pesos to $1. Therefore if a copper worker wanted to convert his wages into dollars he would receive about $1.17 per day. In comparison, the purchasing power of the Chilean copper worker to the American copper worker is $1.17 to $15. We could say roughly $15. There may be some of the wages under $15. Say $11 to $15 in this country. That was the average wage paid to copper miners in the United States for the month of November 1942. November 1952 was the most recent month averaged by the Department of Labor. The figure of $15 per day includes some overtime pay. It is not important except to show it is about one-tenth.

Most of the 35.5 cents paid for Chilean copper goes to the Government of Chile. The purchasing power of the workers' peso is only $1.17 per day, and the copper companies gross only about 8 cents per pound on copper.

I want to say right here, Mr. Chairman, this information is being gained independently of the copper companies who have those contracts, and they are subject to any correction in detail

(The following was later received regarding the above:)

ANACONDA COPPER MINING CO.,
New York, N. Y., February 4, 1953.

Re H. R. 568, bill to suspend copper import tax.

Hon. EUGENE D. MILLIKIN,
Chairman, Finance Committee, United States Senate,
Washington, D. C.

DEAR SENATOR MILLIKIN: During the course of the hearing before the Finance Committee on the above bill, reference was made to the low-cost foreign labor in Chile, which is the principal source of imports of copper into the United States, and at the session this morning it was stated by Senator Malone that this labor was paid 146 pesos per day by the companies operating in Chile.

The company which I represent is a large domestic producer of copper and is the largest producer of copper in Chile. The committee hearing was adjourned at the conclusion of the testimony of Senator Malone, and I consequently was unable to present the facts in regard to the remuneration received by laborers at the Chile operations. Consequently, I would like to furnish for the consideration of your committee and of the Senate of the United States the following information:

The last month for which I have information at this time is October 1952. During that month the Chile Exploration Co., a subsidiary of Anaconda Copper Mining Co. operating the Chuquicamata mine in Chile, which is the largest copper mine in the world, employed an average of approximately 4,000 laborers on that property working a total during that month in excess of 100,000 shifts. The average cost to the company per shift for such laborers was 584.82 pesos. Converted into dollars at the rate of exchange required to be paid by our company, this amounted to $20.78 per shift, which was the average dollar cost to our company in October 1952 of laborers engaged at our Chuquicamata property in Chile.

This, I believe, would be fairly typical of the labor costs of the companies which export copper from Chile to the United States.

This is substantially in excess of the shift costs in the United States and certainly does not represent low-cost foreign labor. As the result of such labor costs, the per pound cost of our production in Chile substantially exceeds the per pound cost of the low-cost open-pit producers in the United States.

Since the month of October 1952, adjustments have been made which increase the Chilean labor shift costs above referred to. This cost is on the basis of an 8-hour shift.

Very truly yours,

R. H. GLOVER,
Vice President and General Counsel.

Senator MALONE. The net receipts for the copper companies is much less. It costs the copper producer on an average of about $7.54 per day per worker for wages, not including benefits. Yet the purchasing power of the wages for the worker is only $1.17 and the difference goes to the Chilean Government. We are in fact subsidizing the Chilean Government. I am not commenting on whether it is a good or a bad idea, but I am giving you what I believe to be the facts.

Of the current Chilean price of 35.5 per pound, 16.5 cents reverts to the Chilean Government. The remaining 19 cents accrues to the producing companies. The method of imposition of this tax is as follows: A base price of 13.5 per pound for electrolytic copper; 13.25 cents for fire-refined copper, and 13.125 cents for bessemer copper is established by Law 1760 as amended. That portion of the sale price between 13.5 cents and 24.5 cents is divided equally between the companies and the Government. It is rather an intricate set-up, Mr. Chairman. The companies have, in my opinion, plenty to explain about.

The income received by the companies which is subject to this tax is as follows: Income in excess of 13.5 cents per pound is deductible from taxable income for the purpose of computing income tax.

Now, Mr. Chairman, in closing—and I hope that Senator Danaher, or any member of the copper companies or anyone else may feel free to ask questions. I think I am tough enough to take it and I know it is a tough subject. It is going to get tough.

SAME SITUATION—ZINC AND LEAD

What I am concerned about is that we are going to face the same situation with particular reference to zinc and lead in a very little while. The junior Senator from Nevada has recently been appointed chairman of the Minerals and Fuels Subcommittee of the Senate Interior and Insular Affairs Committee and the distinguished Senator from Colorado, the chairman of this committee is a member of it, and we have our work cut out for us. We cannot read the menu backward. We have to go into this thing and find out what will keep us in the mining business in this country. We have to find out how that principle fits into the principle of other people in the mining business in this country. In other words, how we fit into the intricate economy of this Nation.

Now, Mr. Chairman, with that statement, unless there are questions, I will close my statement.

The CHAIRMAN. Senator Butler?

Senator BUTLER. I believe not.

The CHAIRMAN. Senator Flanders?

Senator FLANDERS. I will defer to the executive session.

The CHAIRMAN. Senator Hoey?

Senator HOEY. No questions.

The CHAIRMAN. The meeting is adjourned.

Senator MALONE. Would you let Senator Danaher ask questions?

The CHAIRMAN. The committee does the questioning. We do not sublet the right to question in this committee.

Senator MALONE. It has been done in committees but if it is not done in this committee that is wonderful.

The CHAIRMAN. We will go into executive session.

(Whereupon, at 11:30 p. m., the committee proceeded into executive session.)