APPENDIX TO CHAPTER VIII

PROPOSED REMEDIES FOR LEAD AND ZINC MINING OTHER THAN TRADE RESTRICTIONS

THE PREMIUM PRICE PLAN

During World War II, while ceiling prices were being maintained on lead and zinc (as well as other metals) various measures had to be taken to increase domestic mine production. The most important of these was the "premium price plan." [1] This plan, instituted in 1941, entailed the payment of a comparatively high price for high-cost marginal mine output, in excess of the prevailing ceiling price for the metals. These higher prices were applicable to production in excess of officially set quotas. As costs increased during the war, quotas were decreased, and premiums were paid on progressively larger amounts of total production. The plan in effect tended to become a method of helping companies achieve a reasonable return on investments.

Oversupply, coupled with price instability, rather than inadequate supply, characterize the lead-zinc mining industry now. The premium price scheme therefore would not be applicable to the present situation.[2]

STOCKPILING

A method frequently advocated and used for affording relief to lead and zinc mining has been Government purchases for stockpiling.[3] There now exist three stockpiles in this country: the strategic stockpile, established in 1946; the long-term stockpile for minerals and metals, established in 1954; and the supplemental stockpile for nonperishable strategic materials having low storage costs, also established in 1954.

Two objectives of stockpiles may be distinguished: security, and price support. In general, if the given materials can be stored, and if there are no difficult marketing problems, stockpiling may be more economical, from the standpoint of security, than expanding production. The cost of taking the material for future use out of current markets and holding them is likely to be lower than the cost of getting

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[1] See Oakes, Eugene E., "Incentives for Minerals Industries," the President's Materials Policy Commission, Resources for Freedom (Washington, 1952), vol. V, selected reports to the Commission, No. 3, p. 23.

[2] The scheme was abandoned on June 30, 1947, as the result of President Truman's vetoing its continuation for another 2 years. The administration pointed out at the time that with the high prices for the metals then current, the plan would not have produced a substantial increase in production; the cost of the plan was excessive; and the plan had adverse "conversion effects" in that it tended to encourage premature production, especially from dumps and tailings. See Oakes, loc. cit.

[3] For a general discussion, see Mendershausen, Horst, "Stockpiling Materials for Security," Resources for Freedom, vol. V, Selected Reports to the Commission, No. 17, pp. 137–149.