

them from marginal sources. Conversely, maintaining marginal production facilities over a period of years is likely to be more costly in terms of subsidies required than keeping a stockpile.

There is, however, an inverse relation between Government buying for stockpiling and governmental support of mineral prices. Development stockpile purchases add to the demand for the mineral; they tend to sustain production, and/or create an incentive to expansion. Thus stockpiling tends to be a costly way of price support, particularly if not coupled with appropriate import restrictions.

Metal stockpiling beyond the goal required by purely military needs is not an alternative to a readjustment assistance program to relieve injury resulting from increased imports. The lead and zinc stockpiling program, as carried on in the United States since 1954,⁴ with relatively unrestricted imports, has meant that the United States has been sucking in excess production of these metals of practically the entire world. Since it has not dealt with excess production in the United States alone, the program was bound to be more expensive than a support program with import restrictions, such as that in effect under section 22 of the Agricultural Adjustment Act. In the absence of such restrictions, the program covered a much wider field than would be contemplated by a readjustment assistance program for lead and zinc mines. However, stockpiling with import restrictions renders pointless any comparison with an adjustment assistance program, designed to bring about freer trade.⁵

INTERNATIONAL BUFFER STOCKS

In order to alleviate necessary readjustments by domestic lead and zinc producers that would appear to be necessary in the absence of curtailed imports, it has been variously suggested that a "buffer" stockpile be established, both nationally and internationally, so as to allow any readjustments in the industries to be shared by domestic and foreign producers. On the domestic side, this would mean establishing a Metals Credit Corporation (analogous to the Commodity Credit Corporation) with authority to purchase metals and minerals to be stored in the buffer stockpile. This arrangement would be accompanied by a system of production quotas agreed to by foreign and domestic producers.

Although international buffer stocks have often been urged as a stabilizing device for metal prices, there has been no experience with them except for their limited use under international tin control schemes.⁶

⁴ Office of Defense Mobilization, "Stockpile Report to the Congress," January-June 1955 (Washington, D.C., 1955), p. 6. On effect of stockpiling in lieu of tariff relief, see Tariff Commission memorandum on S. 2376 (Sliding-scale tariff on lead and zinc), in "Import Tax on Lead and Zinc," hearings before Senate Finance Committee on S. 2376, 86th Cong., 1st sess. (Washington, D.C., 1957), p. 10.

⁵ The U.S. Bureau of Mines estimates that the average price of lead and zinc would have been 1½ cents lower without the barter stockpile (Government metal purchases in exchange for surplus agricultural commodities) in operation between 1954 and 1957, and 1 cent lower without the Government stockpile program initiated in 1954. (Communication from Office of Chief Economist, U.S. Bureau of Mines.)

⁶ See, for example, Randall Commission, "Staff Papers," p. 192. For general discussion of buffer stocks, see Davies, Joseph S., "International Commodity Agreements," Committee on International Economic Policy, Carnegie Endowment for International Peace (New York, 1947), pp. 26-36; and Mason, Edward S., "Controlling World Trade: Cartels and Commodity Agreements," CED research study (New York, 1946), pp. 167 sq.