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War Savings Bonds

See Financing, Government

May 28, 1942
8:50 a.m.

TAXES

Present:

Mr. Gaston
Mr. Sullivan
Mr. Blough
Mr. Kuhn
Mrs. Klotz

H.M.JR: When was this finished, gentlemen?

MR. GASTON: Just after I left the pictures last night.

H.M.JR: You mean you went back and worked on it?

MR. GASTON: No, the girl was typing it.

H.M.JR: Thank you, Herbert, for staying so late.
Who else was here so late?

MR. SULLIVAN: Roy.

MR. BLOUGH: I was at Ways and Means. I don't want to take any credit.

H.M.JR: Let's do a part at a time, shall we, Herbert?

MR. GASTON: All right.

H.M.JR: "I have come before this committee tonight to tell you of some instances of what seem to me to be particularly unpardonable attempts to evade wartime taxation and to report what the Treasury is doing and proposes to do to stop these practices. In all of the instances I shall cite the method used--"

This sentence, "In all of the instances I shall cite the method used--"

MR. GASTON: "In all of the instances I shall cite--" or just cut out "I shall cite."

H.M.JR: You want to cut out, "I shall cite"?

MR. GASTON: Yes, we don't need that. It is confusing.

H.M.JR: "In all of the instances the method used was to inflate corporation operating expenses--" You tax fellows, do you like it that way? I don't like that, "to inflate corporation operating expenses."

MR. BLOUGH: Well, take out "corporation" and "operating."

MR. KUHN: Inflate expenses.

MR. GASTON: Yes, you don't need it.

H.M.JR: ".....was to inflate expenses for the evident purpose of avoiding normal and excess profits taxes on corporation earnings." All right?

MR. GASTON: Yes.

H.M.JR: "The devices used include the payment of excessive salaries, distribution of unearned bonuses and payment of excessive sums for purported services or for supplies to persons closely connected with the management of the companies involved."

You have got two "excessives" there, "excessive salaries" and "excessive sums." I don't like it from there on. I don't think it is clear enough - "distribution of unearned bonuses," and couldn't you just say, "and for services to persons closely connected with the management of the companies involved"?

MR. GASTON: The point is that the sums they paid were excessive, as in the case of the rents paid.

H.M.JR: All right.

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MR. SULLIVAN: You can change the second "excessive" to "unreasonable," and put across the same idea.

H.M.JR: You might want the emphasis. You could go over that again. Do you think all of those things should be in "purported services or for supplies to persons closely connected with the management of the companies involved"?

MR. BLOUGH: I am afraid that is true; it is going to be a little hard going there.

MR. GASTON: We can simplify that sentence.

H.M.JR: I think that is too long. It should be simplified.

MR. GASTON: They ought to get the idea their salaries, their bonuses, their payments that were earned for things they were supposed to have done, such as the rent--

MR. BLOUGH: These are all understood, really.

H.M.JR: Could I have that sentence a little bit simpler? I want that paragraph with the "devices,"- I want it simplified.

"The effect that these practices, if successful, would have on the revenue of the Government, the revenue we need so urgently in the war effort, will of course be obvious to members of this committee. Even if the recipients of these excess payments should fully declare them as personal income, the amounts represented would escape corporate profits and excess profits taxation. We do not intend that this shall happen. We do not intend that any of these practices shall succeed. We believe that Congress has already given to the Bureau of Internal Revenue power to deal with cases of this kind, but we should like you to know what we propose to do and to ask your counsel and support."

I don't like that. I don't like that sentence, "The effect that these practices, if successful--" It is too long and choppy. You have got too many ideas

there.

MR. BLOUGH: Except for purposes of emphasis you could pass over to the beginning of the next page and leave out all of that.

MR. KUHN: We can start by saying, "We do not intend that any of these practices shall succeed."

MR. GASTON: You see, you leave out the explanation which you want to get over to the public - what the effect is.

H.M.JR: Let me just give you my impression and then you fellows can go in a huddle. How is that, Herbert? Give these other fellows a chance to have a crack at it, Herbert?

MR. GASTON: Sure.

H.M.JR: "I know that this Committee and the Congress are resolved that no man and no corporation shall be permitted to make exorbitant profits out of the war effort. It is the responsibility of the Congress to draft legislation to achieve that purpose. It is our responsibility in the Treasury and in the Bureau of Internal Revenue to employ all the powers the Congress has given us to see that all taxes are fully, honestly and justly collected and that by no form of trick or chicanery is any one taxpayer permitted to escape his just share and thus to throw unjust burdens on others."

You know what I think? I think that is the place to open up, "I know that this Committee--" I just wonder if that shouldn't be the opening paragraph and put them in a good humor.

MR. KUHN: And then go to tell why you appear before them?

H.M.JR: Yes.

MRS. KLOTZ: It is a good suggestion.

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MR. GASTON: I think that is an idea.

H.M.JR: They are sore about this "P.M." thing, see, and then if we want to make it a little bit stronger, I might - just put it down on a piece of paper, "I know that this Committee under the leadership of Chairman Robert Doughton."

MR. BLOUGH: This is the Joint Committee.

H.M.JR: "Under the chairmanship of Robert Doughton--" "Under the able chairmanship--" some little bouquet there, that opens him up, and he is going to grin all over, then relax and be in a good humor. Am I right?

MR. BLOUGH: Honest, able, fearless--

MR. SULLIVAN: Yes.

H.M.JR: Just open up with that. Do I have to say something about George, too?

MR. SULLIVAN: No. You see, the chairmanship alternates, one session it is with the chairman of the House Ways and Means, and the next session the chairman of Senate Finance. But I can tell him why you did it - George, I mean--

H.M.JR: No.

MR. GASTON: I have a feeling it would be too obvious.

H.M.JR: Put it in and we can take it out.

MR. BLOUGH: Nothing is too obvious for Doughton.

H.M.JR: Put it in anyway. I have been bothered all night about that thing, so let's put it in, Herbert. It is very easy to take it out.

MR. GASTON: Right.

H.M.JR: But if I start off that way - I have done it before - he sits back and grins all over. It makes all the difference in the world in the reception I get.

MR. BLOUGH: We should say that "young" man, that would make him feel better.

H.M.JR: You wouldn't say "our responsibility" - however, it is our responsibility.

MR. BLOUGH: I wouldn't.

MR. KUHN: I like it that way.

H.M.JR: "We have come upon the instances I shall mention to you through a special investigation--" Through a "special" or through an "accelerated"--

MR. GASTON: This is a special examination. It isn't the regular examination of returns.

H.M.JR: "We have come upon the instances I shall mention to you through a special investigation of the 1941 returns of corporations holding war contracts. Reports of the examination of 32 returns are now available. In seven of them we found the following state of affairs:

"1. The sole owner of a manufacturing corporation entered into a contract as an individual to become its sales representative. His compensation as sales agent was \$1,656,000."

Am I seeing figures? Is that one thousand or one million?

MR. GASTON: One million six hundred fifty-six thousand.

H.M.JR: Who was that?

MR. SULLIVAN: Cannon Manufacturing Company.

MR. GASTON: It is a different Cannon. This man makes spark plugs.

H.M.JR: My God!

MR. GASTON: Not the towel Cannon, no.

H.M.JR: I was going to say you fellows had gone haywire - Doughton's district - haywire or smart.

"Consolidation of his earnings with those of the corporation will result in increasing the corporation's income tax by \$1,117,000.

"2. "All stock in this corporation is held by three families. Excessive salaries were paid to officer-stockholders."

MR. GASTON: That should be "officer-stockholders."

H.M.JR: I think I would put "Company A," "Company B."

MR. KUHN: That is right. One corporation may think they are all the same iniquitous company.

H.M.JR: Put "Company A," and "Company B" instead of "1," "2," etcetera.

MR. GASTON: That is right.

H.M.JR: "The Revenue Agent has recommended disallowance of \$82,000 in salaries, and the company has already agreed to a disallowance of \$58,000."

What company is that?

MR. SULLIVAN: Lansdowne Steel and Iron Company.

H.M.JR: "3. This corporation paid \$31,104 in rent in one year to the wife of the President for a property she had acquired for \$45,412. A brother of the principal stockholder, without special training or ability, drew a salary of \$15,000 a year and a son and daughter,

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just out of school, got \$7,500 a year each."

Wait a minute. We have got to go back. Company A - what does it make?

MR. BLOUGH: That is the spark plug--

H.M.JR: Let's say it is spark plugs - "Company A, manufacturer of spark plugs."

MR. GASTON: Want to identify them that--

H.M.JR: "What is the matter with that? You have got to give it some kind of a flavor. You don't know whether he is making lawnmowers or what. What do you think, John, is that too hot?"

MR. SULLIVAN: Let's see if we can label them, and not too closely - "automotive equipment."

MR. KUHN: "Making a vital part of airplane engines."

MR. GASTON: These people - we have already said, "all war contracts."

H.M. JR: We have got to make it a little bit hot. Try it that way, "Company A, manufacturer of a vital part of an airplane. Company B--" What was Company B? What was the second company?

MR. GASTON: Lansdowne--

H.M.JR: Steel Company?

MR. SULLIVAN: Yes, Lansdowne.

MR. BLOUGH: It would be safe to say it makes steel.

H.M.JR: Steel - and the third Company - what is the third company?

MR. SULLIVAN: Switlik Parachutes.

H.M.JR: Then I would say something about a vital part necessary to the pilot.

MR. SULLIVAN: Pilot's equipment.

MR. KUHN: Vitally necessary pilot's equipment.

MR. GASTON: Airplane equipment.

H.M.JR: No, for the pilot.

MR. SULLIVAN: Cannon makes connector parts.

H.M.JR: I mean, you have got to put in a little bit--

MR. BLOUGH: Yes, and these outfits are really small fellows, not the big ones. They couldn't be identified.

H.M.JR: What is the fourth company?

MR. BLOUGH: In fact, I think the principal worry is they may say, "This is just peanuts."

H.M.JR: "4. This company paid dividends of \$40,000 in 1940 and \$100,000 in 1941, but salaries totaling \$128,000 in 1941 to the President, his wife and his mother. Of the total capital of 100 shares each of the brothers transferred 45 shares to his wife in 1940."

What company is that, John?

MR. SULLIVAN: Uebelhoer.

H.M.JR: What do they make? In each case give enough and don't be too finicky. I mean, if it is something for a pilot, say "Vital parts necessary for a pilot." I don't think, Roy - you see, you have dealt with billions so long that if a person reads about fifty-six thousand dollars, I don't think that is--

MRS. KLOTZ: A small corporation.

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MR. BLOUGH: That one is not so bad.

H.M.JR: "5. From 1938 to 1940 the salaries of stockholders and relatives of stockholders in this closely held corporation increased 523 per cent. Excessive salaries for 1941 have been disallowed to the amount of \$568,000."

What is that company?

MR. SULLIVAN: Some forge company.

H.M.JR: Put down "steel forgings."

The next company, six.

"Three principal officers of this corporation took salaries of \$100,000 each, which have been reduced to \$35,000 each."

"Which have been," or "which we have"?

MR. BLOUGH: "Which we have disallowed." We haven't reduced the salary.

H.M.JR: "Which we have disallowed."

"Salaries and bonuses of \$516,000 in all were found to be excessive. The inventory was deficient by \$300,000, research expenditures of \$115,000 were charged which had actually been made by a predecessor corporation, and \$142,000 due from the War Department was not included in accounts receivable."

What does this company make?

MR. SULLIVAN: That is Jack and Heintz.

H.M.JR: What do they make?

MR. SULLIVAN: Airplane stocks.

MR. BLOUGH: Airplane starters.

H.M.JR: That had some other juicy details. You have left out buying those presents for people.

MR. SULLIVAN: Sixteen thousand dollars for watches, and photographs, and for picnics.

MR. BLOUGH: That is just ordinary extravagance. It is picturesque and we could afford to put it in, but there is this difference--

H.M.JR: Put it in, will you please?

MR. SULLIVAN: Nineteen hundred dollars for football tickets.

H.M.JR: Put those in, all three, definitely.

MR. GASTON: That labels Jack and Heintz.

H.M.JR: What of it? What are they going to do, sue me?

"The principal owners of this corporation increased their salaries from \$12,000 and \$15,000 in 1939 to \$72,000 and \$90,000 in 1941.. The royalty rate on the patent jointly held by them was increased, with the result that royalties paid increased from \$87,000 in 1939 to \$1,179,000 in 1941."

What company is that?

MR. SULLIVAN: Link Aviation Devices. They make the Link Trainer.

H.M.JR: The Trainer?

MR. SULLIVAN: Yes, sir.

H.M.JR: Well, "a device"- you can't say, "a device for training pilots," that is too close, isn't it?

MR. SULLIVAN: We will find a label for each one.

H.M.JR: And don't forget to put in the picturesque stuff on Jack and Heintz.

"You will note that I have not named any of the corporations or the individuals concerned. I leave it to this Committee to decide whether that should be done. Personally, I am inclined to believe it would have a very wholesome effect to do so when the facts in each case have been thoroughly established."

If they haven't been thoroughly established, why are they here?

MR. GASTON: Yes, I just thought of that. Let's cut that out.

H.M.JR: "Personally I am inclined to believe it would have a very wholesome effect to do so." O.K., and leave the rest out.

"Assistant Secretary Sullivan and Commissioner Helvering are here tonight to give you further details of the results of some of these preliminary investigations. They stand ready to come before you from time to time and to report what further investigations have revealed, and I hope you will invite them to do so."

Instead of "I hope," say, "I am sure," or "I am confident that you will invite them to do so."

MR. SULLIVAN: "I know you will be glad to have them."

H.M.JR: Something like that.

"It should be noted that these cases all deal with returns for 1941. It is of course true that all of the contracts for war work covered by these 1941 returns were signed before the United States was attacked and declared war and that nearly all the earnings represented in the tax-dodging devices attempted were pre-war earnings."

That may be true, but they made out their returns after December 7.

MR. SULLIVAN: Not all of them. Jack and Heintz' fiscal year ends October 31.

H.M.JR: Do you think it is necessary to put this in?

MR. SULLIVAN: Read the rest of the paragraph.

H.M.JR: "But I think that changes the situation very little. An attempt to evade lawful taxes while we were actually at war would be only a slight degree blacker than attempts to evade taxes to raise the funds for arming and equipping our land and sea forces when we stood in imminent danger of attack."

That is all right. Do you think that is necessary? I suppose so.

MR. KUHN: That would be the argument they would use in coming back.

H.M.JR: Yes, that takes it out of them. Do you have doubts about it, Ferdie?

MR. KUHN: The only thing I never like is the notion that we weren't attacked before Pearl Harbor. All those people who understood the war knew Hitler was out for us, attacking us in many ways.

H.M.JR: You can argue that with Herbert - just a small point. You can take it out if you want.

MR. KUHN: I think that paragraph should be in, because it is going to be your rebuttal of the attack they are making.

H.M.JR: "It may be that these instances are an isolated few and that not many more of the same kind will be found. I sincerely hope that will be the case. I am wholly confident that the great and overwhelming proportion of

American corporations are too patriotic even to consider such practices.

"We propose to take two courses of action:

"(1) Where we find excessive expenditures which have the effect of reducing corporate tax liability they will be disallowed, the corporation will be compelled to include the amounts in earnings, and at the same time the recipient will be required to pay full personal income taxes on the amounts received."

MR. KUHN: Split that in two sentences.

H.M.JR: Instead of "We propose to take two courses of action," I would put in here, "I am appearing before you today--" What I am saying now isn't the way I want to say it - something for a vote of confidence and approval of this action.

MR. GASTON: I had earlier approval on the thing, and John felt and Roy felt that it ought not - we ought not to ask them for approval.

MR. SULLIVAN: You are there to inform them of what you are doing. You don't have to ask approval. The thing I am afraid of, there are only ten men on this Committee and when the going gets--

H.M.JR: Only ten?

MR. SULLIVAN: Yes, the top five on Ways and Means, and top five on Senate Finance. When there are only ten men, big companies can concentrate on them. You don't want to be in a position so anybody can obstruct you in the future.

H.M.JR: I thought there would be thirty or forty.

MR. SULLIVAN: The ranking three on both committees and the two ranking Republicans.

H.M.JR: Incidentally, I listened to one radio and they had a good announcement of what I was going to say tonight - this morning on the radio.

MR. SULLIVAN: I don't know where they have gotten it. The boys have been in to me.

MR. KUHN: I talked to Chick Schwarz, telling him what was brewing, what was going to come up.

MR. SULLIVAN: Well, it is all right.

H.M.JR: What I told them was, I said that Chick Schwarz, Kuhn, and Sullivan should get together. Those were my instructions. I said that Chick Schwarz, Sullivan and Kuhn should get together and handle it.

MR. SULLIVAN: Well, it is all right anyway, because I said to everyone - "Well, now, Irving, how would you feel if I gave this to George Bryant alone?"

H.M.JR: If they didn't get to you it is all right. It didn't do a bit of harm anyway.

MR. KUHN: That is right. John was tied up. I saw Chick after a meeting here yesterday, and the boys all felt that this had to do with the Ways and Means Committee on the tax bill.

H.M.JR: I see they had the story in the Wall Street Journal.

MR. SULLIVAN: The two things that we want to avoid, and that they both have in their minds, is, first, we are trying to accomplish this twenty-five thousand dollar ceiling; secondly, that we are trying to administratively get the kind of an excess profits tax bill we want.

MR. KUHN: Chick had that yesterday.

H.M.JR: "We propose to start immediate examinations of the books of corporations having war contracts to determine whether excessive expenditures are being made, without waiting for the normal procedure of the receipt and analysis of annual returns and their reference to field offices for inquiry. By this step we expect to check at an earlier stage unlawful practices of this sort, whether they have been entered into innocently or for the definite purpose of evading taxation."

"We propose"? I would say, "We have" - it isn't "propose."

MR. GASTON: I understand that what we are proposing to do is something different. We are proposing to start examinations.

MR. SULLIVAN: We started six weeks ago.

MR. GASTON: I thought in addition to this 1941 stuff we were going to do examinations of what they are doing currently.

H.M.JR: No, no. If it is true, I haven't heard of it.

On this thing instead of "We propose," would you mind putting it, "We have."

MR. GASTON: "We will extend," "we will continue to examine--"

H.M.JR: Or "We are."

MR. GASTON: Well, instead of up above, "We propose to take two courses of action," "We are taking two courses of action."

H.M.JR: That is right, Herbert.

MR. SULLIVAN: Then, "We have started."

H.M.JR: Then on page seven, "By this step we expect to check at an earlier stage unlawful practices of this sort, whether they have been entered into innocently or for the definite purpose of evading taxation."

That is all right.

MR. GASTON: Yes.

H.M.JR: "The disallowance of excessive expenditures does not represent a new procedure. In applying the law and regulations which permit the deduction only of ordinary and necessary business expenses for the purpose of ascertaining profits the Bureau of Internal Revenue has had occasion

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in the past to disallow expenditures which seemed to lack sound business justification and to be in effect distributions of profits. The problem, however, has under present conditions assumed major importance because of the huge increases in income of a great number of corporations holding war contracts."

MR. BLOUGH: That "has had occasion in the past" gives the impression that it might have happened once or twice, and I wonder if we could put in an adjective there that would indicate it has been a fairly common practice.

H.M.JR: What do you mean?

MR. BLOUGH: This just indicates that maybe once or twice they had in the past disallowed expenditures.

H.M.JR: Have they done it often?

MR. KUHN: There is a long list of such cases. I would take this paragraph and split it into sentences, say, "The law and regulations permit the deductions of ordinary business and necessary business expenditures," and so forth, then "The Bureau has disallowed expenditures" and so forth, "and there is a long list of court cases in which the Bureau is upheld."

MR. SULLIVAN: We don't need to cite those cases.

H.M.JR: You say you propose to take two actions on six, and then you go and say "In the examination the following principles." Does that hang together?

MR. GASTON: All this refers to are the principles followed in making disallowances.

MR. SULLIVAN: I think this is extremely important, Mr. Secretary, because without this you are just scolding and not helping. Now, in these principles you lay down the guideposts by which you are going to judge their conduct, and I think that this is the constructive part of your talk.

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MR. GASTON: I think so. It tells the corporations what they can expect.

H.M.JR: That is under one and two on page six?

MR. SULLIVAN: Yes.

MR. BLOUGH: No. He is on page seven.

H.M.JR: What are one and two?

MR. BLOUGH: One and two are really the two sides of the same thing. One is that we will examine them; the other is when we catch them, we will disallow them.

MR. GASTON: Number one says we will disallow them; number two says that we are going to extend these examinations to find these cases for disallowance.

MR. SULLIVAN: We are doing it earlier than we otherwise would do it.

H.M.JR: Anyway, reexamine that thing and see if they do hang together. I am not sure that they do, but re-examine them.

"Deductions claimed for greatly increased salaries and extraordinary bonuses paid to officers or employees will be disallowed unless the taxpayer proves that the payments are, in fact, for services actually rendered and are reasonable.

"In determining whether the payments are reasonable, it will be assumed that reasonable compensation is only as much as would ordinarily be paid for like services by like enterprises under like circumstances."

I take it that is technically correct.

MR. SULLIVAN: These are excerpts from the language of court decisions.

H.M.JR: All right. "The factors that will be considered in determining the reasonableness of such payments

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are the duties performed by the recipient, the character and amount of responsibility, the time devoted to the enterprise, and the peculiar ability or special talent of the particular officer or employee. Where the payments are to relatives or to shareholders, the taxpayer must show that family considerations have not influenced the amount paid and that the payments are not distributions of profits in disguise. Large profits attributable to causes entirely unrelated to the activities of the officers or employees, which are not unusual in these abnormal times, do not of themselves justify or warrant large salary payments.

"Deductibility of rents, or royalties paid to shareholders depends upon whether such charges are in fact fair and reasonable payments for the use of property and are not merely a device for distribution of profits. Any shareholder should be entitled only to a fair return on his investment in the property which he permits the corporation to use.

"The deductibility of payments to pension trusts is governed by section twenty-three P. of the Internal Revenue Code. If payments to such trusts are reasonable, their deduction will be allowed. If the payments are unreasonable in amount, or if the trust is not created for the exclusive benefit of employees, or if it is a device to distribute profits to shareholders, the deductions will be disallowed. It is also our purpose to set up a barrier to deductions of large salaries, bonuses, or insurance premiums for officers under the guise of payments to a pension trust.

"The deductibility for income tax purposes of costs of repairs depends upon whether the expenditure is actually for repairs, or is in fact a capital expenditure which should be added to capital investment or charged against reserve for depreciation, since the costs of repairs are deductible while capital expenditures are not. We must guard against the tendency during high profit years to make extensive improvements and to charge the cost of such improvements against profits under the caption of repairs.

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"It will be our policy to scrutinize carefully the items claimed as deductions for expenditures for repairs. We shall disallow such deductions where it is not shown that the expenditures are in fact for repairs instead of for improvements or betterments which should be capitalized."

I take it this is all technically correct.

MR. SULLIVAN: Yes, sir. That language was furnished by the Bureau and fought and bled and died over.

MR. BLOUGH: As far as I know, it is all right. I have gone over it pretty carefully.

MR. GASTON: Number four is one that will make them sit up and take notice.

MR. BLOUGH: Except that the standard is an extremely general one.

MR. SULLIVAN: The cases we found aren't going to support us in this.

H.M.JR: What do you mean?

MR. SULLIVAN: On four - I suggest taking it out.

MR. BLOUGH: This was in yesterday morning's draft.

MR. SULLIVAN: I suggested taking it out.

H.M.JR: Why?

MR. SULLIVAN: Because the Washington representative cases we found so far we found to be fairly reasonable.

MR. BLOUGH: This won't hurt any, though. The fact that you haven't found any cases to throw out doesn't mean it isn't wise to mention it.

H.M.JR: Wouldn't you leave it in?

MR. BLOUGH: I would leave it in. If we were trying to give examples of everything, I wouldn't.

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H.M.JR: "Expenses or allowances paid to obtain Government business, including fees paid to Washington representatives or for other professional services."

I brought you in once before, Sullivan, and Helvering. I don't see why I should bring you in again.

MR. GASTON: That was just an attempted conclusion. I think we might find some general sermon.

MR. KUHN: We ought to have a conclusion to show how you are going into secret session.

H.M.JR: There ought to be a sermon at the end. I think that this, on the whole, is pretty good now, Herbert.

MR. KUHN: How about the advertising, Mr. Secretary? It is just another policy there. I think you are going to put an awful chill into a lot of the genuinely patriotic advertising which we are asking for.

H.M.JR: Look, don't approach me this way. If we left it out and didn't mention it, it would be conspicuous by its absence.

MR. BLOUGH: Let me suggest one very good reason for putting it in. We are trying to avoid legislation to put special restrictions on advertising. We don't want it if we can help it. But there is a good deal of avoidance of the excess profits in this way. If this would accomplish the result, it would be so much better.

MR. KUHN: The advertisers are still being asked and are agreeing to do more than just keep their trade name before the public for public patronage after the war.

H.M.JR: Frank Knox said to me, "Henry, you are leaving yourself wide open, you have got to take advertising from somebody for War Bonds, and then go over the income tax." They will say, 'Mr. Morgenthau, we did this advertising for you, how can you jump on us?'"

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MR. GASTON: I was just going to ask whether our War Bond advertising would be legitimate under that ruling we have laid down there.

H.M.JR: All right, if it isn't, then better strike it out now, better kill it.

MR. KUHN: Unless you put in, "If they are not directed to continue public patronage or to fulfill public purposes."

MR. SULLIVAN: Ferdie, your question here isn't whether you are going to kill War Bond advertising. The question is whether under the law an advertiser who boosts War Bonds is in any different tax position than the fellow who just boosts his own product.

H.M.JR: That is the point.

MR. SULLIVAN: We can't give a tax subsidy to a company who is helpful to us.

MR. KUHN: No, but he is in a different position under this explanation. Under this explanation if Macy's advertise their own products it is O.K.; but if they advertise War Bonds, it is not O.K.

MR. SULLIVAN: That is right.

MR. KUHN: There you are. It is a clear conflict of all we have been doing with the advertisers.

H.M.JR: Then the quicker we kill it, the better, because certainly as we go into this thing, and the fellow has spent fifty thousand dollars in advertising War Bonds, and John Sullivan comes along and disallows it, where does it leave me?

MR. GASTON: Let's suppose that Jack and Heintz make a profit of three million dollars; they have profits on the books, expect profits, of three million dollars, so they decide they are going to have to pay ninety-four excess profits. They decide, "What we will do with that

- 23 -

three million dollars is that we will spend two and a half million in a program of War Bond advertising, and on the bottom of each of those War Bonds we will say, 'This advertisement contributed by Jack and Heintz, makers of airplanes and automobile starter motors.'

MR. KUHN: They don't put that on.

H.M.JR: Let me say this, Ferdie, and I am beginning to get angry - I told Frank Knox that Harold Graves, in his position in reorganizing Internal Revenue, wouldn't accept one penny of advertising if in any way it would be subsequently disallowed; and if he has done it, then it is absolutely criminal. It is absolutely criminal, because Harold Graves - I know you don't, but Harold Graves knows this business inside out, and if I am in the position that we have taken this thing and then Sullivan has got to disallow it, it is absolutely criminal on the part of Harold Graves, because he knows this stuff. He is a lawyer. He can practice before the Washington bar, spent two years in this thing, and so forth and so on. It would be the most criminal thing, on his part, to sit there day after day and accept this stuff. God damn it - excuse me, ladies - we went all through this thing on Texas Oil Company, and they came and asked them whether it would be all right before they gave us this thing last year on the program. The War Bond people told them it would be all right. It isn't as though Harold doesn't know.

If I am on a hot spot, the quicker I get out from under it, the better. God almighty, we have got six hundred lawyers in the Treasury; and if we have been taking stuff which Sullivan is going to throw out, then under my rule, "Let the chips fall where they may," the War Bonds would get it first, and they should. So don't stand here pleading something which is illegal. You had better take a look at the stuff right away, if I can't rely on Graves. God, Graves knows this thing inside out.

MR. KUHN: I think there is an answer to it. Let's ask Graves about it. I think there is an answer to it.

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H.M.JR: Well, he is sick, he can't get at it.

MRS. KLOTZ: There must be an answer. I mean, there is no question about it.

H.M.JR: Then why all this? Why put the thing on me? I am not a lawyer. Why not find out before you write it up? You have had this thing since day before yesterday. Why always wait until the last second, when here I have to go before a Silver Committee at ten o'clock. I have General Marshall for lunch. I have got the War Department and State at three. I am right up against a gun and you bring up an important thing for me--

MR. KUHN: It was out yesterday, wasn't it?

H.M.JR: Putting it out doesn't help any if we have been doing something that makes us a party in crime. That doesn't help any by leaving it out. I mean, if what we are doing and letting advertisers get around paying their income tax by advertising War Bonds and Sullivan is going to disallow it, taking out the statement doesn't help matters any.

MR. SULLIVAN: Let's take a look at it, Mr. Secretary.

H.M.JR: I mean, everything is always left to the last minute. Here I am, right up against the gun, and here is an important thing. God, I fought and bled for this War Bond thing until I am getting a bellyful. Of all the incompetence I ever saw.

I think if this is legally and technically correct about the advertising, it should stay in. If the War Bond people have been breaking the law, God help them. That is all that I can say.

MR. GASTON: I think the rule we have got to apply is simply this, that we will have to take this War Bond advertising as ordinary good-will advertising by a firm, as ordinary institutional advertising, have to interpret it as such, and if with the War Bond advertising their total advertising expenditures are excessive in relation

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to their present and future business, they have to be disallowed, regardless of whether they are War Bond advertisements or general institutional advertisements.

In other words, what they contribute in the way of advertising has got to come out of a regular legitimate appropriation for institutional advertising.

MR. KUHN: I think that is the way it was done.

MR. GASTON: I think they state it so.

H.M.JR: I think so. In fact, I wanted - but I say now, if the War Bond people, if Harold Graves, with his eyes open, has been a partner in assisting these companies to evade income taxes, he has got an awful lot of explaining to do to me.

MR. GASTON: I don't think so.

H.M.JR: That is the indication from what the man is saying.

MR. SULLIVAN: Listen, after all, you have known Harold a long while and never known--

H.M.JR: Why does Kuhn bring it up at this late hour?

MR. KUHN: I am objecting to the language.

H.M.JR: No, you are objecting to - what you said is on the record. It kills all of our War Bond advertising.

MR. KUHN: No.

H.M.JR: Yes, you did, Ferdie, and if what you say is true, then Graves has been permitting these fellows to try to evade their taxes.

MR. BLOUGH: What was the word you didn't like?

- 26 -

MR. KUHN: The words "public patronage?" I don't think that was ever intended under the law. This advertising is institutional advertising that creates goodwill. It isn't the same as Macy's advertising for public patronage.

H.M.JR: This was the whole plea that Frank Knox made, and I was confident he was wrong.

MR. KUHN: "If they are extravagant and are not directed to continued public goodwill."

MR. BLOUGH: No, no, you couldn't have that, because - take these airplane companies, they are just wasting money hand-over-fist, and advertisements in some of these big journals on a reasonable purpose of public patronage, present or future, are not justifiable. On the basis of some vague notion of goodwill, maybe they are.

MR. GASTON: I don't know about that. I think they are all ambitious to be the big manufacturers in the future.

The airplane business is going to be a big business, and they want to keep their names before the public. There is another aspect of it. They like to glorify what they are doing.

MR. BLOUGH: That is what they are doing, and enjoy it. Well, I would prefer - my own feeling would be, let these technical people take a look at this and see if there is any objection to some minor companies.

H.M.JR: Will you give me a written opinion on what - get a dozen different types of advertising which have been done for War Bonds over the name of different companies. Give me a technical, legal opinion on whether this will be allowed or disallowed.

MR. SULLIVAN: What the ruling of the Bureau would be?

H.M.JR: Yes, because I will be asked that the first thing tomorrow morning.

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MR. BLOUGH: It will all depend on how much they are doing, and not just the type.

H.M.JR: John, get your boys on it. The other thing they are going to ask me is this: "What about this Toland thing?" Do you think you will have an answer by tonight?

MR. SULLIVAN: On that particular company? They telephoned yesterday morning.

H.M.JR: Will you make every effort so before I go on the Hill I will have that. The only time I can see you gentlemen again will be two o'clock. Would you, all of you, please, shut off the - do nothing else? I have never been in a worse spot. I am in a terrible spot.

You did a nice job, Herbert.

MR. GASTON: I just tried to get an idea of organization.

H.M.JR: I think if you could give it what the President calls a little "snapper" to it--

MR. GASTON: Yes, yes, and I think we--

H.M.JR: ... but this is a nice job, and it is laying down to the American businessman the principles that we are going to follow.

MR. SULLIVAN: The standard we expect them to comply with.

H.M.JR: One of you write this down. Say, "In appearing before you and giving this out to the public, I am trying to be constructive. I am trying to be constructive so as to give the honest businessman a guidepost by which he can - or a chart, by which he can go."

MR. KUHN: That would go right in at the beginning of the principles.

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H.M.JR: "Morgenthau said this. God, what is he going to allow?" Well, I am up there to say this to the committee, to give a chart to American business under war conditions on how the Treasury is going to enforce these rules. See?

MR. SULLIVAN: That is right.

MR. BLOUGH: It is your wish that I stay away from the Hill and work on this or not?

H.M.JR: My God, yes. I mean, I am asking you all - you can go down to my dining room, anywhere. Why don't you go in the poster room where there is no telephone?

MR. GASTON: Too accessible.

H.M.JR: No, no, nobody goes in there. I will put a guard in there. Herbert, nobody is allowed in that room. There is a nice table in there.

MR. GASTON: We can go in our room and say I am not there for anybody and that is all there is to it.

H.M.JR: Will you do that?

3d draft 29

5/28/42

8:45 am

I have come before this committee tonight to tell you of some instances of what seem to me to be particularly unpardonable attempts to evade wartime taxation and to report what the Treasury is doing and proposes to do to stop these practices. In all of the instances ~~I shall~~ ~~also~~ the method used was to inflate ~~corporation operating~~ expenses with the evident purpose of avoiding normal and excess profits taxes on corporation earnings. The devices used include the payment of excessive salaries, distribution of unearned bonuses and payment of excessive sums for purported services or for supplies to persons closely connected with the management of the companies involved.

The effect that these practices, if successful, would have on the revenue of the Government, the revenue we need so urgently in the war effort, will of course be obvious to members of this committee. Even if the recipients of these excess payments should fully declare them as personal income, the amounts represented would escape corporate profits and excess profits

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taxation. We do not intend that this shall happen. We do not intend that any of these practices shall succeed. We believe that Congress has already given to the Bureau of Internal Revenue power to deal with cases of this kind, but we should like you to know what we propose to do and to ask your counsel and support.

I know that this Committee and the Congress are resolved that no man and no corporation shall be permitted to make exorbitant profits out of the war effort. It is the responsibility of the Congress to draft legislation to achieve that purpose. It is our responsibility in the Treasury and in the Bureau of Internal Revenue to employ all the powers the Congress has given us to see that all taxes are fully, honestly and justly collected and that by no form of trick or chicanery is any one taxpayer permitted to escape his just share and thus to throw unjust burdens on others.

We have come upon the instances I shall mention to you through a special investigation of the 1941 returns of corporations holding war contracts. Reports of the examination of 32 returns are now available. In seven of them we found the following state of affairs:

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1. The sole owner of a manufacturing corporation entered into a contract as an individual to become its sales representative. His compensation as sales agent was \$1,656,000. Consolidation of his earnings with those of the corporation will result in increasing the corporation's income tax by \$1,117,000.
2. All stock in this corporation is held by three families. Excessive salaries were paid to office-stockholders. The Revenue Agent has recommended disallowance of \$82,000 in salaries, and the company has already agreed to a disallowance of \$58,000.
3. This corporation paid \$31,104 in rent in one year to the wife of the President for a property she had acquired for \$45,412. A brother of the principal stockholder, without special training or ability, drew a salary of \$15,000 a year and a son and daughter, just out of school, got \$7,500 a year each.
4. This company paid dividends of \$40,000 in 1940 and \$100,000 in 1941, but salaries totaling \$128,000

- 3 -

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4. This company paid dividends of \$40,000 in 1940 and \$100,000 in 1941, but salaries totaling \$128,000

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in 1941 to the President, his wife and his mother. Of the total capital of 100 shares each of the brothers transferred 45 shares to his wife in 1940.

5. From 1938 to 1941 the salaries of stockholders and relatives of stockholders in this closely held corporation increased 523 per cent. Excessive salaries for 1941 have been disallowed to the amount of \$568,000.
6. Three principal officers of this corporation took salaries of \$100,000 each, which have been reduced to \$35,000 each. Salaries and bonuses of \$516,000 in all were found to be excessive. The inventory was deficient by \$300,000, research expenditures of \$115,000 were charged which had actually been made by a predecessor corporation, and \$142,000 due from the War Department was not included in accounts receivable.
7. The principal owners of this corporation increased their salaries from \$12,000 and \$15,000 in 1939 to \$72,000 and \$90,000 in 1941. The royalty rate on the patent jointly held by them was increased,

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with the result that royalties paid increased from \$87,000 in 1939 to \$1,179,000 in 1941.

You will note that I have not named any of the corporations or the individuals concerned. I leave it to this Committee to decide whether that should be done. Personally I am inclined to believe it would have a very wholesome effect to do so, ~~when the facts in each case have been thoroughly established.~~

Assistant Secretary Sullivan and Commissioner Helvering are here tonight to give you further details of the results of some of these preliminary investigations. They stand ready to come before you from time to time and to report what further investigations have revealed, and I hope you will invite them to do so.

It should be noted that these cases all deal with returns for 1941. It is of course true that all of the contracts for war work covered by these 1941 returns were signed before the United States was attacked and declared war and that nearly all the earnings represented in the tax-dodging devices attempted were pre-war earnings. But I think that changes the situation very little. An

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attempt to evade lawful taxes while we were actually at war would be only a slight degree blacker than attempts to evade taxes to raise the funds for arming and equipping our land and sea forces when we stood in imminent danger of attack.

It may be that these instances are an isolated few and that not many more of the same kind will be found. I sincerely hope that will be the case. I am wholly confident that the great and overwhelming proportion of American corporations are too patriotic even to consider such practices.

We propose to take two courses of action:

(1) Where we find excessive expenditures which have the effect of reducing corporate tax liability they will be disallowed, the corporation will be compelled to include the amounts in earnings, and at the same time the recipient will be required to pay full personal income taxes on the amounts received.

(2) We propose to start immediate examinations of the books of corporations having war contracts to determine whether excessive expenditures are being made,

- 7 -

without waiting for the normal procedure of the receipt and analysis of annual returns and their reference to field offices for inquiry. By this step we expect to check at an earlier stage unlawful practices of this sort, whether they have been entered into innocently or for the definite purpose of evading taxation.

The disallowance of excessive expenditures does not represent a new procedure. In applying the law and regulations which permit the deduction of ordinary and necessary business expenses for the purpose of ascertaining profits the Bureau of Internal Revenue has had occasion in the past to disallow expenditures which seemed to lack sound business justification and to be in effect distributions of profits. The problem, however, has under present conditions assumed major importance because of the huge increases in income of a great number of corporations holding war contracts.

In the examination of returns from this standpoint, the following general principles will be followed:

1. Salaries and Bonuses Paid to Officers or Employees, and Rents and Royalties Paid to Shareholders.

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Deductions claimed for greatly increased salaries and extraordinary bonuses paid to officers or employees will be disallowed unless the taxpayer proves that the payments are, in fact, for services actually rendered and are reasonable.

In determining whether the payments are reasonable, it will be assumed that reasonable compensation is only as much as would ordinarily be paid for like services by like enterprises under like circumstances. The factors that will be considered in determining the reasonableness of such payments are the duties performed by the recipient, the character and amount of responsibility, the time devoted to the enterprise, and the peculiar ability or special talent of the particular officer or employee. Where the payments are to relatives or to shareholders, the taxpayer must show that family considerations have not influenced the amount paid and that the payments are not distributions of profits in disguise. Large profits attributable to causes entirely unrelated to the activities of the officers or employees, which are not unusual in these abnormal times, do not of themselves justify or warrant large salary payments.

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Deductibility of rents or royalties paid to shareholders depends upon whether such charges are in fact fair and reasonable payments for the use of property and are not merely a device for distribution of profits. Any shareholder should be entitled only to a fair return on his investment in the property which he permits the corporation to use.

2. Payments to Profit Sharing or Pension Trusts.

The deductibility of payments to pension trusts is governed by section 23(p) of the Internal Revenue Code. If payments to such trusts are reasonable, their deduction will be allowed. If the payments are unreasonable in amount, or if the trust is not created for the exclusive benefit of employees, or if it is a device to distribute profits to shareholders, the deductions will be disallowed. It is also our purpose to set up a barrier to deductions of large salaries, bonuses, or insurance premiums for officers under the guise of payments to a pension trust.

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3. Payments for Repairs.

The deductibility for income tax purposes of costs of repairs depends upon whether the expenditure is actually for repairs, or is in fact a capital expenditure which should be added to capital investment or charged against reserve for depreciation, since the costs of repairs are deductible while capital expenditures are not. We must guard against the tendency during high profit years to make extensive improvements and to charge the cost of such improvements against profits under the caption of repairs.

It will be our policy to scrutinize carefully the items claimed as deductions for expenditures for repairs. We shall disallow such deductions where it is not shown that the expenditures are in fact for repairs instead of for improvements or betterments which should be capitalized.

4. Expenses or Allowances Paid to Obtain Government Business, Including Fees Paid to Washington Representatives or for Other Professional Services.

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Whether deductions for items of this class will be allowed depends upon whether they meet the test laid down in the Internal Revenue Code, that is, whether they are necessary and ordinary and reasonable. If such items are considered exorbitant or unreasonable, they will be disallowed as deductions. Many of the factors that apply in determining the deductibility of salaries and bonuses will apply also in determining the deductibility of items of this class. Particular attention will be given to deductions for payments which are against public policy, and all such deductions will be disallowed.

5. Amounts Paid for Advertising.

The test of whether expenditures for advertising are deductible is whether they are ordinary and necessary and bear a reasonable relation to the business activities in which the enterprise is engaged. If they are extravagant and are not directed to continued public patronage which might reasonably be expected in the future the payments will be disallowed as deductions. Amounts

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paid to keep the corporate name or the trade marks or names of its products before the public, in conformity with the past practice of a corporation, will be allowed as deductions, provided the amounts expended therefor are not extraordinary and are not disproportionate to amounts so expended in the past.

With this statement of the problem we have before us and the manner in which we propose to deal with it, I should like to ask you to permit Mr. Sullivan and Mr. Helvering to present the details of some of the examinations they have already made.

May 28, 1942

41

This is what the Secretary took with him to the Hill this morning for his meeting with the silver Senators.

TABLE I - United States Monetary Stocks of Silver (April 30, 1942)

	<u>Millions of Ounces</u>	<u>Short Tons</u>
Silver held in Treasury	2,900.6	99,438
Silver outside the Treasury	408.9	14,018
Total	3,309.5	113,456

TABLE II - *Estimated Monetary Stocks of Silver of Other Countries (January 1, 1941)

China	480	1,646
India	950	3,257
Other countries	1,530	5,245
Total	2,960	10,147

*Includes coin held by the public. Does not include 890 million ounces not allocated to monetary or non-monetary uses.

TABLE III - Classification of Treasury Holdings of Silver (May 21, 1942)

Silver bullion held for silver certificates	1,160.4	39,780
Silver dollars held against silver certificates	371.8	12,746
Bullion at cost	1,360.5	46,640
Subsidiary coin in the General Fund	9.8	336
Bullion in the General Fund at recoinage value	.001	—
Total Treasury holdings of silver	2,902.5	99,503

TABLE IV - Sources of Treasury Holdings of Silver Bullion at Cost (April 30, 1942)

Silver Purchase Act Silver	1,246.1	42,719
Proclamation Silver	35.5	1,217
Act of July 6, 1939	78.3	2,684
*Silver Ordinary	4.9	168
Total Silver Bullion at Cost	1,364.8	46,788

*Disposable by the Treasury.

TABLE V - Estimated Production, 1942

World production	245.0	8,390
United States production	62.0	2,123
United States imports	120.0	4,110

TABLE VI - Estimated Demand Including Military

Bearing materials	14.6	500
Chemical industry	20.0	685
Containers (returnable)	102.1	3,500
Dental and medical	2.9	100
Electrical industry	58.3	2,000
Solder	67.1	2,300
Miscellaneous	14.6	500
Decorative arts (silverware, jewelry, etc.)	49.6	1,700
Total	329.2	11,285
Non-consuming uses		
Bus bars	1,166.8	40,000
Other non-consuming uses	583.4	20,000

SILVER

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE SPECIAL
COMMITTEE ON THE INVESTIGATION OF SILVER
UNITED STATES SENATE
SEVENTY-SEVENTH CONGRESS

SECOND SESSION

PURSUANT TO

S. Res. 187

(74th Congress)

A RESOLUTION AUTHORIZING A SPECIAL COMMITTEE OF THE
SENATE TO INVESTIGATE THE ADMINISTRATION, AND
THE ECONOMIC AND COMMERCIAL EFFECT,
OF THE SILVER PURCHASE ACT OF 1934

MAY 5, 6, 8, AND 28, 1942

Preference Rating Order No. P. 56-a

PART 9

Printed for the use of the Senate Special Silver Committee



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GOVERNMENT PRINTING OFFICE
WASHINGTON : 1942

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ALBERT A. GORUD, Secretary

STATEMENT RELATING TO THE MILITARY SERVICE AND EQUIPMENT

WEDNESDAY, MAY 24, 1944

UNITED STATES SENATE
SPECIAL COMMITTEE ON INVESTIGATION

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Medical Library
(Continued)
and Medical

PREFERENCE RATINGS FOR MINING MACHINERY AND EQUIPMENT

TUESDAY, MAY 5, 1942

UNITED STATES SENATE,
SPECIAL COMMITTEE ON SILVER,
Washington, D. C.

The special committee met at 10:30 a. m., pursuant to call, in room 424, Senate Office Building, Senator Elmer Thomas of Oklahoma (chairman) presiding.

Present: Senators Thomas of Oklahoma (chairman), Johnson of Colorado, McCarran, Thomas of Idaho, Downey, and Murray; and Albert A. Grorud, secretary to the committee.

Present also: Senators Millikin and Bunker.

Present also: The following members of the House of Representatives: Hon. Harry L. Inglebright (California), Hon. Lawrence Lewis (Colorado), Hon. William S. Hill (Colorado), Hon. J. Edgar Chenoweth (Colorado), Hon. James G. Scrugham (Nevada), Hon. Compton I. White (Idaho), and Hon. John R. Murdock (Arizona).

Present also: Governor Ralph L. Carr (Colorado).

Present also: Dr. Wilbur A. Nelson, Administrator; Dr. Marcellus H. Stow, Deputy Administrator, and F. L. Eaton, attorney, Materials Division; and Shaw Livermore, principal industry economist, Office of Progress Reports Division, War Production Board; Mr. Julian D. Conover, secretary, American Mining Congress, Washington, D. C.; Mr. A. W. Dickinson, the American Mining Congress, Washington, D. C.; Mr. Albert F. Knorp, secretary, California Chapter, American Mining Congress, 300 Montgomery Street, San Francisco, Calif.; Mr. James A. White, director, Rocky Mountain Metals Foundation, Washington, D. C.; Mr. Robert S. Palmer, secretary, Colorado Mining Association, 204 State Office Building, Denver, Colo.; Mr. George W. Malone, managing director, Industrial West Foundation, Washington, D. C., and San Francisco, Calif.; Mr. Errol MacVoyle, chairman, State Mining Board, California; Mr. J. C. Kemprance, Mining Association of California, 381 Bush Street, San Francisco, Calif.; Mr. Matt Murphy, inspector of mines, State of Nevada; Mr. Charles L. Bradbury, president, New Mexico Miners and Prospectors Association, 912 Ridgewest Drive, Albuquerque, N. Mex.; Mr. R. E. Whitten, care of Owyhee Hotel, Boise, Idaho; Mr. David P. Strickler, president, Cripple Creek Development Co., Colorado Springs, Colo.; Mr. Thomas A. Copeland, Cripple Creek, Colo.; Mr. Merrill E. Shoop, Colorado Springs, Colo.; Mr. Edward D. Dickerman, Leadville, Colo., and Mr. H. M. Bratter, Washington, D. C.

The CHAIRMAN. The committee will be in order.

This is a meeting of the Senate Special Committee on Silver. This committee is in session by virtue of a resolution of the United States Senate, known as Senate Resolution 187, of the Seventy-fourth Congress. For the record, I will have a copy of the resolution placed at this point.

(Resolution No. 187 referred to is as follows:)

[S. Res. 187, 74th Cong., 1st sess., Aug. 16, 1935]

RESOLUTION

Resolved, That a special committee of five Senators, to be appointed by the President of the Senate, is authorized and directed to confer with the Secretary of the Treasury relative to the administration, and the economic and commercial effect in the United States and abroad, of the Silver Purchase Act of 1934, Public Law Numbered 438, Seventy-third Congress, approved June 19, 1934 (48 Stat. 1178).

The said special committee, or any subcommittee thereof duly authorized by the special committee, is further authorized to hold such hearings, to sit and act at such times and places during sessions and recesses of the Senate in the Seventy-fourth and succeeding Congresses, to employ and call upon the executive departments for clerical and other assistants, to require by subpoena or otherwise the attendance of such witnesses and the production of such correspondence, books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed \$10,000, shall be paid from the contingent fund of the Senate, upon vouchers approved by the Chairman.

The said special committee shall report to the Senate as soon as practicable the results of the investigations, together with its recommendations.

(Membership of committee increased to nine, by motion of Senator Pitman, January 17, 1939.)

The CHAIRMAN. The resolution provides for the appointment of a special committee of five Senators. We operated under the resolution with five Senators for the first few years of the committee's existence, but on January 17, 1939, Senator Pittman made a motion to amend the resolution by increasing the number from five to nine. At the present time provision is made for a committee of nine members, but there is one vacancy, and the membership is as follows:

Myself, Senator Thomas of Oklahoma, chairman of the committee; Senator Edwin C. Johnson of Colorado; Senator Pat McCarran of Nevada; Senator Sheridan Downey of California; Senator James E. Murray of Montana; Senator Charles L. McNary of Oregon; Senator Henrik Shipstead of Minnesota; and Senator John Thomas of Idaho. There is one vacancy that will probably be filled in the very near future.

Pursuant to the authority contained in the resolution, the committee saw fit to fix this date and hour for a special hearing, and I will place in the record at this point a copy of the notice of this hearing.

(The notice of the hearing referred to is as follows:)

UNITED STATES SENATE,
SENATE SPECIAL SILVER COMMITTEE,
Washington, D. C.

NOTICE OF HEARING

The Senate Special Silver Committee authorized under and by virtue of Senate Resolution 187, Seventy-fourth Congress, will hold a public hearing at Washington, D. C., at room 424, Senate Office Building, at 10:30 a. m., on the 21st day of May 1942. Subject, preference rating order No. P56-a of March 2, 1942, relating to material entering into the production of mining machinery and equipment, and related subjects.

You are invited to appear at that hearing and testify before said committee. It is to be regretted that on account of the small appropriation made available for the committee's use, no allowance can be made for witness fees or traveling expenses.

Dated this 13th day of April 1942.

Respectfully,

ELMER THOMAS, Chairman,
ALBERT A. GRORUD, Secretary,
Senate Special Silver Committee.

The CHAIRMAN. This particular hearing was called to consider just one phase of the silver program. An order has been issued by the War Production Board which has had and may have more effect upon silver mining than we now may appreciate or may now understand. It seems that under this order a number of silver mines may be closed, or if not closed, severely restricted. So, for the record, the order will be placed at this point.

(The order referred to is as follows:)

PART 982—MINES

Preference Rating Order P-56 (as Amended March 2, 1942)

Section 982.1 is hereby amended to read as follows:

§ 982.1 *Preference Rating Order P-56*. For the purpose of facilitating the acquisition of material for continued and expanded operation of Mining Enterprises in the public interest and to promote the national defense, preference ratings are hereby assigned to deliveries of such material upon the terms hereinafter set forth:

(a) *Definitions*. (1) "Person" means any individual, partnership, association, business trust corporation, governmental corporation or agency, or any organized group of persons whether incorporated or not.

(2) "Mining Enterprise" means (i) Any plant actually engaged in the extraction by surface, open-pit, or underground methods, or in the beneficiation, concentration, or preparation for shipment of the products of mining activity, but not including any plant more than 30 percent of the production of which in dollar value consists of gold and/or silver;

(ii) Any plant wholly engaged in the processing and burning of refractories; (iii) Any prospecting enterprise for the discovery or exploration of new or additional mining projects.

(3) "Operator" means any person operating a Mining Enterprise, who holds a Serial Number issued in accordance with the provisions of paragraph (b).

(4) "Supplier" means any person with whom a purchase order or contract has been placed for delivery of material to an Operator or to another Supplier.

(5) "Material" means any commodities, equipment, accessories, parts, assemblies, or products of any kind.

(6) "Maintenance" means minimum upkeep necessary to continue the working condition of equipment used by an Operator in the operation of a Mining Enterprise at its then current rate of production or operation.

(7) "Repair" means the restoration of property or equipment used by an Operator in the operation of a Mining Enterprise to a sound working condition after wear and tear, damage, destruction, or failure of parts or the like have made the property or equipment unfit or unsafe for service.

(8) "Operating Supplies" means material which is essential to and consumed in the operation of property and equipment used by an Operator in the operation of a Mining Enterprise and which is generally carried as Operator's stores and charged to operating expense account. The term does not include raw materials which enter into or form part of the finished product.

(b) *Certification of mining enterprises*. (1) *Domestic Mining Enterprises*. The agency designated by the Governor or other chief executive officer of each State, territory, or possession of the United States, including the Commonwealth of the Philippines, shall furnish to the War Production Board a certificate setting forth the names of the persons operating Mining Enterprises within such State, territory, or possession. The War Production Board will thereupon issue a Serial Number or Numbers to each such person who may be approved by the Director of Industry Operations. Any person aggrieved by failure or refusal of a State Agency to certify him as an Operator may apply in writing to the Director of

Industry Operations for issuance of a Serial Number. The Director of Industry Operations may thereupon take such action as he deems appropriate. Serial Numbers may be cancelled by the Director of Industry Operations in appropriate cases.

(2) *Foreign mining enterprises.* The Director of Industry Operations may, in his discretion, issue a Serial Number or Numbers to a person operating a Mining Enterprise outside the limits of the United States, its territories, and possessions and may cancel any such Serial Number.

(3) *Standards.* In issuing, denying, or cancelling Serial Numbers, the Director of Industry Operations will consider the importance to National defense of the present and prospective output of materials to be produced, the consumption of essential materials by the Mining Enterprise in its operations, the necessity to the Mining Enterprise of obtaining priorities assistance, and the available alternative methods of obtaining such assistance.

(c) *Assignment of preference ratings.* Subject to the terms of this Order, the following preference ratings are hereby assigned; provided, that no preference rating is assigned to the delivery of any machinery or equipment, or repair parts therefor, unless such machinery and equipment are used primarily to maintain or to increase the existing production of the Mining Enterprise, and not primarily to reduce operating costs. Nothing herein contained shall prevent the use of any other or higher rating to which any person may be entitled by reason of any other Preference Rating Certificate or Order.

(1) *As to deliveries to an operator.* (i) A-1-a to deliveries of material for repair of property and equipment used in and essential to the operation of a Mining Enterprise, when and only when there has been an actual breakdown or suspension of operations because of damage, wear and tear, destruction or failure of parts, or the like, and the essential material is not otherwise available.

(ii) A-1-c to deliveries of repair parts for machinery and equipment of the types listed in Schedule A hereto; provided, that such repair parts are for use in a Mining Enterprise less than 30 percent of the production of which in dollar value for the previous calendar quarter was derived from any one or more of the following:

Sand (except foundry sand), gravel, crushed stone, and slag, including all commercially recognized forms of these products;

Clay of all types, except those used for refractories and ceramics for electrical use; Building and ornamental stone of all types;

Gypsum, talc, soapstone, slate (except for electrical use), and all raw material for the manufacture of lime and calcareous cements.

Such rating shall be applied by any Operator only to deliveries in any calendar quarter of a quota consisting of such dollar value of repair parts as may be expressly authorized by the Director of Industry Operations after application by such Operator in form prescribed by the Director of Industry Operations. For the first calendar quarter of 1942 such quota shall be the dollar value of repair parts which bears the same ratio to the dollar value of repair parts delivered to the Operator in the last calendar quarter of 1941 as the dollar value of the Operator's production in the first calendar quarter of 1942 bears to the dollar value of the Operator's production in the last calendar quarter of 1941.

(iii) A-1-e to deliveries of repair parts for essential productive facilities to other Mining Enterprises and/or for other types of machinery and equipment up to the minimum required to make reasonable advance provision to avert an actual breakdown or suspension as described in paragraph (c) (1) (i).

(iv) A-8 to deliveries of material for other repairs to, for maintenance of, and for operating supplies for, property and equipment used in and essential to the operation of a Mining Enterprise.

(v) to deliveries of essential machinery and equipment, whether or not included in Schedule A, such preference ratings as the Director of Industry Operations may from time to time assign to particular orders for such equipment submitted to him for approval in the manner described in paragraph (c) (2) below.

(vi) A-10 to deliveries of material for all other repairs, maintenance and operating supplies.

(2) *As to deliveries to a supplier.* Deliveries of material which will be delivered (or physically incorporated into material which will be delivered) to an Operator under any preference rating assigned by or pursuant to paragraph (c) (1) are assigned the same preference rating as that assigned to the delivery to the Operator.

(d) *Persons entitled to apply preference ratings.* The preference ratings hereby assigned may be applied by (1) An Operator, or (2) A Supplier to enable it to make to an Operator or to another Supplier deliveries on purchase orders or contracts endorsed or otherwise identified pursuant to paragraph (e).

(e) *Application of preference ratings.*—(1) *Application of A-1-a or A-1-c rating by operator.* An Operator, in order to apply the A-1-a preference rating assigned by paragraph (c) (1) (i) or the A-1-c preference rating assigned by paragraph (c) (1) (ii) must communicate with the War Production Board, Washington, D. C., Ref.: P-56, describing the material needed for emergency repair and the nature of the emergency, or the reasons why advance provision is necessary to avert breakdown or suspension, and such other information as may be required. The Director of Industry Operations will notify such Operator, whether, and to what extent, its application is approved, and a copy of such notification shall be furnished by the Operator to its Supplier to evidence the A-1-a or A-1-c rating.

(2) *Application of ratings by an operator to deliveries of machinery or equipment.* An Operator, in order to apply the ratings assignable under paragraph (c) (1) (v), must communicate with the War Production Board, Washington, D. C., Ref.: P-56, describing the machinery or equipment needed and the reasons why such machinery or equipment is essential for the proper operation of the Mining Enterprise. The Director of Industry Operations will notify such Operator whether its application is approved, and if approved, shall assign a Preference Rating thereto; a copy of such notification and assignment of rating shall be furnished by the Operator to his Supplier.

(3) *Standards.* In acting on any application pursuant to paragraph (e) (1) or (2), the Director shall consider the importance to national defense of the material to be produced by the machinery, equipment, or other material for which rating is requested, and the consumption of scarce materials in the construction thereof.

(4) *Application of other ratings by operator or supplier.* An Operator in order to apply the A-1-c preference rating assigned by paragraph (c) (1) (ii), the A-8 preference rating assigned by paragraph (c) (1) (iv), or the A-10 rating assigned by paragraph (c) (1) (vi), or a Supplier in order to apply any preference rating assigned by paragraph (c) (2), must endorse the following statement on the original and all copies of the purchase order or contract for such material, signed by a responsible official duly designated for such purpose by such Operator or Supplier:

Materials for a Mining Enterprise, Rating A-..... under Preference Rating Order P-56, Serial No. and in compliance therewith.

(Name of operator or supplier)

By
(Authorized signature)

If the material is for export outside the limits of the United States, its territories and possessions, the Commonwealth of the Philippines, or the Dominion of Canada, such endorsement shall also contain the sentence:

This material is for export and is covered by Export License No., dated

Such purchase order or contract so endorsed shall be delivered to the Supplier of such material. Such endorsement shall constitute a representation to the War Production Board and the Supplier with whom the purchase order or contract is placed that such purchase order or contract is duly and properly rated in accordance herewith. Such Supplier shall be entitled to rely on such representation, unless he knows or has reason to believe it to be false. Any such purchase order or contract shall be restricted to material the delivery of which is rated in accordance herewith. With respect to any purchase order or contract for such material placed before the effective date of this Order, such preference rating may be applied by delivering to the seller a duplicate copy of such purchase order or contract so endorsed.

(5) An Operator or Supplier placing any such rated purchase order or contract, and the Supplier of the material covered thereby, must each retain endorsed copies of all such purchase orders or contracts, and certificates and notifications made or received pursuant to this paragraph (e), for a period of two years from the date thereof, for inspection by authorized representatives of the War Production Board.

(6) *Restrictions on deliveries by supplier.* No Supplier shall deliver machinery, equipment, or repair parts to an Operator or another Supplier under any rating:

(i) Unless such Supplier has received from such Operator or such other Supplier all certificates and notifications required by paragraph (e).

(ii) If such Supplier knows or has reason to believe that such material is not properly rated under the terms of this Order.

A Supplier must report forthwith to the War Production Board the details of any such attempt to apply any rating in violation of the terms of this Order.

(f) *Restrictions on application of rating.* (1) The preference ratings hereby assigned shall not be applied:

(i) Unless the material to be delivered cannot be secured when required without such rating;

(ii) To obtain deliveries greater in quantity or on dates earlier than required for the operation, maintenance, or repair of the property or equipment used by an Operator in and essential to the operation of a Mining Enterprise;

(iii) By a Supplier to obtain material in excess of the amount necessary to make rated deliveries.

(g) *Restrictions on inventory.* No Operator shall accept deliveries (whether or not rated pursuant to this Order) of operating supplies or other material which will increase such Operator's inventory of such operating supplies or other material to an amount greater than the minimum necessary for the efficient operation of his business, and the ratio of inventory to current production shall in no event exceed the ratio of average inventory to average production for the years 1933, 1939, and 1940.

(h) *Resale of operating supplies and other material prohibited.* Except with specific permission of the Director of Industry Operations, no Operator shall resell any operating supplies or other materials (whether or not obtained pursuant to rating assigned by this Order) except to another Operator.

(i) *Conservation and standardization.* Every person affected by this Order shall use his best efforts to effectuate conservation of materials by elimination, simplification, or standardization of types, sizes, or forms, or otherwise, and to cooperate in any program developed for such purpose by the War Production Board. The Director of Industry Operations may from time to time issue specific directions as to conservation, elimination, and standardization.

(j) *Relief.* In case the productivity or sound working condition of any Mining Enterprise is adversely affected by any provision or application of this Order or by inability to obtain essential operating supplies or other materials, the person operating such Mining Enterprise may apply for relief to the Director of Industry Operations. The Director of Industry Operations may thereupon take such action as he deems appropriate.

(k) *Records, audit, and reports.* Each Operator and each Supplier shall keep and preserve for a period of not less than two years accurate and complete records of all transactions affected by this Order and shall submit from time to time to audit and inspection by duly authorized representatives of the War Production Board. Each Operator and each Supplier shall execute and file with the War Production Board or other designated agency, such reports and questionnaires as the War Production Board shall from time to time require. Until otherwise directed, each Operator shall file with the designated State Agency on or before the 10th day of each month a report on form PD-119 of purchases made during the preceding month pursuant to the ratings granted by this Order.

(l) *Violations.* Any person affected by this Order who violates any of its provisions, or a provision of any other Order, regulation, or other directive of the War Production Board may be deprived of priorities assistance, or subjected to such other or further action as the Director of Industry Operations may deem appropriate.

(m) *Revocation or modification.* This Order may be revoked or modified by the Director of Industry Operations at any time as to any Operator or Supplier. In the event of revocation, or upon expiration of this Order, deliveries already rated pursuant to this Order shall be completed in accordance with said rating, unless the rating has been specifically revoked with respect thereto. No additional applications of this rating to any other deliveries shall thereafter be made by the Operator or Supplier affected by said revocation or expiration.

(n) *Amendment of prior order.* The provisions of Preference Rating Orders P-22 or P-100 shall not apply to deliveries to which a preference rating is assigned by this Order.

(o) *Effective date.* This Order shall take effect immediately and shall continue in effect until revoked. (P. D. Reg. 1, amended December 23, 1941, 6 F. R. 6680; W. P. B. Reg. 1, Jan. 26, 1942, 7 F. R. 561, E. O. 9024, Jan. 16, 1942, 7 F. R. 329; E. O. 9040, Jan. 24, 1942, 7 F. R. 527; sec. 2 (a), Pub. Law 671, 76th Cong., 3d Sess., as amended by Pub. Law 89, 77th Cong., 1st Sess.)

Issued this 2d day of March 1942.

J. S. KNOWLSON,
Director of Industry Operations.

SCHEDULE A

As to all machines listed below, the rating provided herein likewise applies to equipment items, accessories, and tools customarily sold with such machines.

Aerial tramway equipment
Air compressors for mine use
Air distribution equipment
Assaying and testing laboratory equipment at the mine
Ball-casting machines
Boxcar loaders
Cages and skips
Car dumpers—rotary or end
Equipment for Cleaning plants
Equipment for concentrating plants
Conveyors—shaking, belt, chain, or gravity type, including duckbills and other self-loading heads
Cutting machines—cable reel and self-propelling transportation trucks therefor
Diamond core drilling machines
Dragline dredges, excavators, and scraper units
Dredges—continuous bucket, including pumps
Drills and drilling machines, power driven, and reconditioning equipment therefor
Dust control equipment
Electrical equipment for mine transportation and power
Hoists—including room hoists and car pullers
Hydraulic monitors, with feed pipe and fittings
Jacks for lifting and roof support
Lamps—mine, miners', safety, and ore-exploration types
Locomotives for mine use
Loaders, mobile, including mucking machines
Equipment for Milling plants
Mine cars, track or trackless
Pit-car loaders and elevating conveyors
Equipment for Preparation plants
Pumps, pipe and fittings for mine drainage or material transport
Rock dusting equipment
Safety and defense equipment
Sand dryers
Scraper loaders
Sheaves and sheave blocks
Shovels, power
Shuttle cars, track or trackless
Slusher hoists and scrapers
Steel sections for support of mine openings
Storage batteries for mine use
Tanks and bins for storage of mine products
Tipples and head frames
Track and track accessories for mine transportation
Equipment for Treating plants
Trucks, tractors, and trailers for mine use
Ventilation equipment
Waste disposal equipment
Weighing equipment, including automatic devices
Wire rope for haulage and hoisting

[F. R. Doc. 42-1800; Filed, March 2, 1942; 11:51 a. m.]

The CHAIRMAN. While it is true that we will consider only one phase of the silver program in this hearing, I think it might be well to place in the record some of the more important laws that are now on the statute books, inasmuch as the hearing may be broadened later to take in other phases of the silver program. So, without objection, I will ask that the record contain a portion of Public, No. 10, Seventy-third Congress, approved May 12, 1933. At that time we placed an amendment to the agricultural bill, giving the President vast powers over money, both gold and silver, and paragraph 2 on page 151 of the

Federal Reserve Act of 1913 with amendments contains the particular portion of this amendment that relates to silver. So, I will ask that paragraph 2, appearing on pages 151, 152, and a portion of 153, be inserted in the hearings at this point.

(The matter referred to is as follows:)

(2) By proclamation to fix the weight of the gold dollar in grains nine-tenths fine and also to fix the weight of the silver dollar in grains nine-tenths fine at a definite fixed ratio in relation to the gold dollar at such amounts as he finds necessary from his investigation to stabilize domestic prices or to protect the foreign commerce against the adverse effect of depreciated foreign currencies, and to provide for the unlimited coinage of such gold and silver at the ratio so fixed, or in case the Government of the United States enters into an agreement with any government or governments under the terms of which the ratio between the value of gold and other currency issued by the United States and by any such government or governments is established, the President may fix the weight of the gold dollar in accordance with the ratio so agreed upon, and such gold dollar, the weight of which is so fixed, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity with such parity, but in no event shall the weight of the gold dollar be fixed so as to reduce its present weight by more than 50 per centum.

SEC. 44. The Secretary of the Treasury, with the approval of the President, is hereby authorized to make and promulgate rules and regulations covering any action taken or to be taken by the President under subsection (a) or (b) of section 43.

SEC. 45. (a) The President is authorized, for a period of six months from the date of the passage of this Act, to accept silver in payment of the whole or any part of the principal or interest now due, or to become due within six months after such date, from any foreign government or governments on account of any indebtedness to the United States, such silver to be accepted at not to exceed the price of 50 cents an ounce in United States currency. The aggregate value of the silver accepted under this section shall not exceed \$200,000,000.

(b) The silver bullion accepted and received under the provisions of this section shall be subject to the requirements of existing law and the regulations of the mint service governing the methods of determining the amount of pure silver contained, and the amount of the charges or deductions, if any, to be made; but such silver bullion shall not be counted as part of the silver bullion authorized or required to be purchased and coined under the provisions of existing law.

(c) The silver accepted and received under the provisions of this section shall be deposited in the Treasury of the United States, to be held, used, and disposed of as in this section provided.

(d) The Secretary of the Treasury shall cause silver certificates to be issued in such denominations as he deems advisable to the total number of dollars for which such silver was accepted in payment of debts. Such silver certificates shall be used by the Treasurer of the United States in payment of any obligations of the United States.

(e) The silver so accepted and received under this section shall be coined into standard silver dollars and subsidiary coins sufficient, in the opinion of the Secretary of the Treasury, to meet any demands for redemption of such silver certificates issued under the provisions of this section, and such coins shall be retained in the Treasury for the payment of such certificates on demand. The silver so accepted and received under this section, except so much thereof as is coined under the provisions of this section, shall be held in the Treasury for the sole purpose of aiding in maintaining the parity of such certificates as provided in existing law. Any such certificates or reissued certificates, when presented at the Treasury, shall be redeemed in standard silver dollars, or in subsidiary silver coin, at the option of the holder of the certificates: *Provided*, That, in the redemption of such silver certificates issued under this section, not to exceed one-third of the coin required for such redemption may in the judgment of the Secretary of the Treasury be made in subsidiary coins, the balance to be made in standard silver dollars.

(f) When any silver certificates issued under the provisions of this section are redeemed or received into the Treasury from any source whatsoever, and belong to the United States, they shall not be retired, canceled, or destroyed, but shall be reissued and paid out again and kept in circulation; but nothing herein shall prevent the cancellation and destruction of mutilated certificates and the issue of other certificates of like denomination in their stead, as provided by law.

(g) The Secretary of the Treasury is authorized to make rules and regulations for carrying out the provisions of this section.

The CHAIRMAN. I might suggest that under this law we now have vast power over silver. The President is authorized to do practically anything he sees fit with silver, so far as money is concerned. He has the power under this statute to make the silver dollar of any size he sees proper, and he has the power to open the mints to the free and unlimited coinage of silver.

I might say in passing that William Jennings Bryan made a national campaign on this particular issue and that while he failed to accomplish the enactment of the law he had in mind, it is now a statute of the United States, and all that the President has to do is prepare an order and sign it and the mints can be opened this afternoon to the free and unlimited coinage of silver in any ratio the President might see fit to fix, either coining the present sized standard silver dollar or a smaller dollar.

In addition to the statute I have just referred to, I will ask that the record contain at this point the text of the Silver Purchase Act of 1934. That is found on pages 227, 228, 229, 230, and 231 of the same book I have just referred to, namely, the Federal Reserve Act of 1913 with amendments.

(The matter referred to is as follows:)

[PUBLIC—No. 438—73D CONGRESS]

[H. R. 9745]

AN ACT To authorize the Secretary of the Treasury to purchase silver, issue silver certificates, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this Act shall be the "Silver Purchase Act of 1934."

SEC. 2. It is hereby declared to be the policy of the United States that the proportion of silver to gold in the monetary stocks of the United States should be increased, with the ultimate objective of having and maintaining, one-fourth of the monetary value of such stocks in silver.

SEC. 3. Whenever and so long as the proportion of silver in the stocks of gold and silver of the United States is less than one-fourth of the monetary value of such stocks, the Secretary of the Treasury is authorized and directed to purchase silver, at home or abroad, for present or future delivery with any direct obligations, coin, or currency of the United States, authorized by law, or with any funds in the Treasury not otherwise appropriated, at such rates, at such times, and upon such terms and conditions as he may deem reasonable and most advantageous to the public interest: *Provided*, That no purchase of silver shall be made hereunder at a price in excess of the monetary value thereof: *And provided further*, That no purchases of silver situated in the continental United States on May 1, 1934, shall be made hereunder at a price in excess of 50 cents a fine ounce.

SEC. 4. Whenever and so long as the market price of silver exceeds its monetary value or the monetary value of the stocks of silver is greater than 25 per centum of the monetary value of the stocks of gold and silver, the Secretary of the Treasury may, with the approval of the President and subject to the provisions of section 5, sell any silver acquired under the authority of this Act, at home or abroad, for present or future delivery, at such rates, at such times, and upon such terms and conditions as he may deem reasonable and most advantageous to the public interest.

SEC. 5. The Secretary of the Treasury is authorized and directed to issue silver certificates in such denominations as he may from time to time prescribe in a face amount not less than the cost of all silver purchased under the authority of section 3, and such certificates shall be placed in actual circulation. There shall be maintained in the Treasury as security for all silver certificates heretofore or hereafter issued and at the time outstanding an amount of silver in bullion and standard silver dollars of a monetary value equal to the face amount of such silver certificates. All silver certificates heretofore or hereafter issued shall be

legal tender for all debts, public and private, public charges, taxes, duties, and dues, and shall be redeemable on demand at the Treasury of the United States in standard silver dollars; and the Secretary of the Treasury is authorized to coin standard silver dollars for such redemption.

SEC. 6. Whenever in his judgment such action is necessary to effectuate the policy of this Act, the Secretary of the Treasury is authorized, with the approval of the President, to investigate, regulate, or prohibit, by means of licenses or otherwise, the acquisition, importation, exportation, or transportation of silver and of contracts and other arrangements made with respect thereto; and to require the filing of reports deemed by him reasonably necessary in connection therewith. Whoever willfully violates the provisions of any license, order, rule, or regulation issued pursuant to the authorization contained in this section shall, upon conviction, be fined not more than \$10,000 or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both.

SEC. 7. Whenever in the judgment of the President such action is necessary to effectuate the policy of this Act, he may by Executive order require the delivery to the United States mints of any or all silver by whomsoever owned or possessed. The silver so delivered shall be coined into standard silver dollars or otherwise added to the monetary stocks of the United States as the President may determine; and there shall be returned therefor in standard silver dollars, or any other coin or currency of the United States, the monetary value of the silver so delivered less such deductions for seigniorage, brassage, coinage, and other mint charges as the Secretary of the Treasury with the approval of the President shall have determined: *Provided*, That in no case shall the value of the amount returned therefor be less than the fair value at the time of such order of the silver required to be delivered as such value is determined by the market price over a reasonable period terminating at the time of such order. The Secretary of the Treasury shall pay all necessary costs of the transportation of such silver and standard silver dollars, coin, or currency, including the cost of insurance, protection, and such other incidental costs as may be reasonably necessary. Any silver withheld in violation of any Executive order issued under this section or of any regulations issued pursuant thereto shall be forfeited to the United States, and may be seized and condemned by like proceedings as those provided by law for the forfeiture, seizure, and condemnation of property imported into the United States contrary to law; and, in addition, any person failing to comply with the provisions of any such Executive order or regulation shall be subject to a penalty equal to twice the monetary value of the silver in respect of which such failure occurred.

SEC. 8. Schedule A of title VIII of the Revenue Act of 1926, as amended (relating to stamp taxes), is amended by adding at the end thereof a new subdivision to read as follows:

"10. SILVER, AND SO FORTH, SALES AND TRANSFERS.—On all transfers of any interest in silver bullion, if the price for which such interest is or is to be transferred exceeds the total of the cost thereof and allowed expenses, 50 per centum of the amount of such excess. On every such transfer there shall be made and delivered by the transferor to the transferee a memorandum to which there shall be affixed lawful stamps in value equal to the tax thereon. Every such memorandum shall show the date thereof, the names and addresses of the transferor and transferee, the interest in silver bullion to which it refers, the price for which such interest is or is to be transferred and the cost thereof and the allowed expenses. Any person liable for payment of tax under this subdivision (or anyone who acts in the matter as agent or broker for any such person) who is a party to any such transfer, or who in pursuance of any such transfer delivers any silver bullion or interest therein, without a memorandum stating truly and completely the information herein required, or who delivers any such memorandum without having the proper stamps affixed thereto, with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding \$1,000 or be imprisoned not more than six months, or both. Stamps affixed under this subdivision shall be canceled (in lieu of the manner provided in section 804) by such officers and in such manner as regulations under this subdivision shall prescribe. Such officers shall cancel such stamps only if it appears that the proper tax is being paid, and when stamps with respect to any transfer are so canceled, the transferor and not the transferee shall be liable for any additional tax found due or penalty with respect to such transfer. The Commissioner shall abate or refund, in accordance with regulations issued hereunder, such portion of any tax hereunder as he finds to be attributable to profits (1) realized in the course

of the transferor's regular business of furnishing silver bullion for industrial, professional or artistic use and (a) not resulting from a change in the market price of silver bullion, or (b) offset by contemporaneous losses incurred in transactions in interests in silver bullion determined, in accordance with such regulations, to have been specifically related hedging transactions; or (2) offset by contemporaneous losses attributable to changes in the market price of silver bullion and incurred in transactions in silver foreign exchange determined, in accordance with such regulations, to have been hedged specifically by the interest in silver bullion transferred. The provisions of this subdivision shall extend to all transfers in the United States of any interest in silver bullion, and to all such transfers outside the United States if either party thereto is a resident of the United States or is a citizen of the United States who has been a resident thereof within three months before the date of the transfer or if such silver bullion or interest therein is situated in the United States; and shall extend to transfers to the United States Government (the tax in such cases to be payable by the transferor), but shall not extend to transfers of silver bullion by deposit or delivery at a United States mint under proclamation by the President or in compliance with any Executive order issued pursuant to section 7 of the Silver Purchase Act of 1934. The tax under this subdivision on transfers enumerated in subdivision 4 shall be in addition to the tax under such subdivision. This subdivision shall apply (1) with respect to all transfers of any interest in silver bullion after the enactment of the Silver Purchase Act of 1934, and (2) with respect to all transfers of any interest in silver bullion on or after May 15, 1934, and prior to the enactment of the Silver Purchase Act of 1934, except that in such cases it shall be paid by the transferor in such manner and at such time as the Commissioner, with the approval of the Secretary of the Treasury, may by regulations prescribe, and the requirement of a memorandum of such transfer shall not apply.

"As used in this subdivision—

"The term 'cost' means the cost of the interest in silver bullion to the transferor, except that (a) in case of silver bullion produced from materials containing silver which has not previously entered into industrial, commercial, or monetary use, the cost to a transferor who is the producer shall be deemed to be the market price at the time of production determined in accordance with regulations issued hereunder; (b) in the case of an interest in silver bullion acquired by the transferor otherwise than for valuable consideration, the cost shall be deemed to be the cost thereof to the last previous transferor by whom it was acquired for a valuable consideration; and (c) in the case of any interest in silver bullion acquired by the transferor (after April 15, 1934) in a wash sale, the cost shall be deemed to be the cost to him of the interest transferred by him in such wash sale, but with proper adjustment, in accordance with regulations under this subdivision, when such interests are in silver bullion for delivery at different times.

"The term 'transfer' means a sale, agreement of sale, agreement to sell, memorandum of sale or delivery of, or transfer, whether made by assignment in blank or by any delivery, or by any paper or agreement or memorandum or any other evidence of transfer or sale; or means to make a transfer as so defined.

"The term 'interest in silver bullion' means any title or claim to, or interest in, any silver bullion or contract therefor.

"The term 'allowed expenses' means usual and necessary expenses actually incurred in holding, processing, or transporting the interest in silver bullion as to which an interest is transferred (including storage, insurance, and transportation charges but not including interest, taxes, or charges in the nature of overhead), determined in accordance with regulations issued hereunder.

"The term 'memorandum' means a bill, memorandum, agreement, or other evidence of a transfer.

"The term 'wash sale' means a transaction involving the transfer of an interest in silver bullion and, within thirty days before or after such transfer, the acquisition by the same person of an interest in silver bullion. Only so much of the interest so acquired as does not exceed the interest so transferred, and only so much of the interest so transferred as does not exceed the interest so acquired, shall be deemed to be included in the wash sale.

"The term 'silver bullion' means silver which has been melted, smelted, or refined and is in such state or condition that its value depends primarily upon the silver content and not upon its form."

SEC. 9. The Secretary of the Treasury is hereby authorized to issue, with the approval of the President, such rules and regulations as the Secretary of the Treasury may deem necessary or proper to carry out the purposes of this Act, or of any order issued hereunder.

SEC. 10. As used in this Act—

The term "person" means an individual, partnership, association, or corporation;

The term "the continental United States" means the States of the United States, the District of Columbia, and the Territory of Alaska;

The term "monetary value" means a value calculated on the basis of \$1 for an amount of silver or gold equal to the amount at the time contained in the standard silver dollar and the gold dollar, respectively;

The term "stocks of silver" means the total amount of silver at the time owned by the United States (whether or not held as security for outstanding currency of the United States) and of silver contained in coins of the United States at the time outstanding;

The term "stocks of gold" means the total amount of gold at the time owned by the United States, whether or not held as a reserve or as security for any outstanding currency of the United States.

SEC. 11. There is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$500,000, which shall be available for expenditure under the direction of the President and in his discretion, for any purpose in connection with the carrying out of this Act; and there are hereby authorized to be appropriated annually such additional sums as may be necessary for such purposes.

SEC. 12. The right to alter, amend, or repeal this Act is hereby expressly reserved. If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

SEC. 13. All Acts and parts of Acts inconsistent with any of the provisions of this Act are hereby repealed, but the authority conferred in this Act upon the President and the Secretary of the Treasury is declared to be supplemental to the authority heretofore conferred.

Approved, June 19, 1934, 9 p. m.

The CHAIRMAN. Third, I will place in the record without objection a copy of the last act passed by the Congress giving domestically mined silver its present status. The present status is that all silver mined domestically can be turned over to the Treasury and sold for 71 cents-plus per ounce. I will ask that that entire act, found on pages 307 and 308, be placed in the record.

(The matter referred to is as follows:)

[PUBLIC—No. 165—76TH CONG.]

[Chapter 260—1st Session]

[H. R. 3326]

AN ACT To extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 10 of the Gold Reserve Act of 1934, approved January 30, 1934, as amended, is further amended by striking out the period at the end of such subsection and adding thereto the words "and to the Congress."

SEC. 2. Subsection (c) of section 10 of the Gold Reserve Act of 1934, approved January 30, 1934, as amended, is further amended to read as follows:

"(c) All the powers conferred by this section shall expire June 30, 1941, unless the President shall sooner declare the existing emergency ended and the operation of the stabilization fund terminated."

SEC. 3. The second sentence added to paragraph (b) (2) of Section 43, title III, of the Act approved May 12, 1933, by section 12 of said Gold Reserve Act of 1934, as amended, is further amended to read as follows: "The powers of the President specified in this paragraph shall be deemed to be separate, distinct, and continuing powers, and may be exercised by him, from time to time, severally or together, whenever and as the expressed objects of this section in his judgment may require; except that such powers shall expire June 30, 1941, unless the President shall sooner declare the existing emergency ended."

SEC. 4. (a) Each United States coinage mint shall receive for coinage into standard silver dollars any silver which such mint, subject to regulations prescribed by the Secretary of the Treasury, is satisfied has been mined subsequently to July 1, 1939, from natural deposits in the United States or any place subject to the jurisdiction thereof.

(b) The Director of such mint with the consent of the owner shall deduct and retain of such silver so received 45 per centum as seigniorage for services performed by the Government of the United States relative to the coinage and delivery of silver dollars. The balance of such silver so received, that is, 55 per centum, shall be coined into standard silver dollars and the same or any equal number of other standard silver dollars shall be delivered to the owner or depositor of such silver, and no provisions of law taxing transfers of silver shall extend or apply to any delivery of silver to a United States mint under this section. The 45 per centum of such silver so deducted shall be retained as bullion by the Treasury or coined into standard silver dollars and held or disposed of in the same manner as other bullion or silver dollars held in or belonging to the Treasury.

(c) The Secretary of the Treasury is authorized to prescribe regulations to carry out the purposes of this section. Such regulations shall contain provisions substantially similar to the provisions contained in the regulations issued pursuant to the Act of Congress approved April 23, 1918 (40 Stat. L., p. 535), known as the Pittman Act, with such changes as he shall determine prescribing how silver tendered to such mints shall be identified as having been produced from natural deposits in the United States or any places subject to its jurisdiction subsequent to July 1, 1939.

Approved, July 6, 1939.

The CHAIRMAN. In addition to the statute that we have just placed in the record, the secretary of the committee has communicated with the Treasury Department, asking for data with regard to silver. The Treasury has sent to us a vast amount of data which will be considered by the committee, and such parts as the committee deems proper will be added to the record at this point. I do not desire to make any special request, but after the committee has had a chance to consider this data, we will pick out that portion which we think it might be advisable to add to the record.

(The matter referred to is as follows:)

TREASURY DEPARTMENT,
Washington, May 4, 1942.

HON. ELMER THOMAS,
United States Senate, Washington, D. C.

My DEAR SENATOR: This is in reply to your letter of April 14, 1942, requesting the Treasury Department to provide the Senate Special Silver Committee with material relating to gold and silver, a chronology of legislative and Executive acts affecting monetary policy, and a statement setting forth policies of the Government with respect to the purchases of gold and silver from March 4, 1933 to date.

There are enclosed herewith the following tables:

1. Silver purchases under the act of June 10, 1934, showing new production silver, trading silver, and inventory silver.
2. Net imports, mint acquisitions, and Treasury purchases of foreign silver, 1933 to date. (That portion of the table which refers to silver imports since October 1941, is confidential.)
3. Monetary stock of gold and silver, showing ratio of monetary stocks, 1934 to date.
4. Foreign silver coins—price of silver at which it becomes profitable to melt each coin for its silver bullion content, at its exchange rate.
5. Newly mined domestic silver, nationalized silver, and foreign silver acquired since January 1, 1934.
6. Silver seigniorage since January 1, 1934.

There is also enclosed a chronology of legislative and Executive acts affecting the monetary policy of the United States from March 4, 1933, to date.

The policy of this Government with respect to purchases of gold and silver from March 4, 1933, to date has been set forth in the speeches, messages, and

statements of the President and the Secretary of the Treasury, embodied in the legislation on gold and silver, and fulfilled in the practice of the Treasury in the purchases of gold and silver.

A full understanding of the Government's policy with respect to gold and silver is hardly possible without an examination of the selected statements which are enclosed. In brief, however, the gold and silver purchase policy is as follows: The Treasury purchases all gold at \$35 a fine ounce less one-fourth of 1 percent and regular mint charges and sells gold at the same price plus one-fourth of 1 percent and regular mint charges, principally for the purpose of settling international balances. In the past 6 months, our sales of gold to foreign countries have substantially exceeded our purchases of gold from foreign countries. Our purchases of newly mined domestic gold have continued, although they have not fully offset our net sales of gold to foreign countries, so that our gold monetary stocks have been declining.

The Treasury acquires newly mined domestic silver at 71.11 cents per fine ounce in accordance with the provisions of the act of July 6, 1939. In acquiring silver, the objective of the Treasury is to minimize fluctuations in the open-market price of silver while making progress toward attaining the objectives of the Silver Purchase Act. In pursuance of these objectives, the Treasury has temporarily ceased purchasing foreign silver because the domestic demand for silver for war and other industrial purposes is now absorbing all imports and is exerting upward pressure on the price of open-market silver. On the other hand, purchases of newly mined domestic silver are adding to our silver monetary stocks.

Very truly yours,

D. W. BELL,
Acting Secretary of the Treasury.

TABLE 1.—Recapitulation of all silver purchases by sources from the enactment of the Silver Purchase Act on June 19, 1934 to Apr. 18, 1943
(Ounces 0.999 fine)

[Figures are shown in thousands only. When 500 or under, the amount has been dropped, when over, it has been added. This applies to both the ounces and the dollars on this summary.]

NEW-PRODUCTION SILVER

Sources as reported	June 19, 1934 to Dec. 31, 1935		1936		1937		1938		1939		1940		1941		1942		Total	
	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost
Countries south of the United States:																		
Argentina.....							165	\$71	1,250	\$333	947	\$332	905	\$281			3,167	\$1,217
Argentina and Chile.....							210	90									210	90
Bolivia.....							115	81									115	81
Bolivia and others.....							400	176	100	43	100	35					2,771	1,235
Chile.....							12	6									12	6
Cuba.....							12	6	16	6							31	12
Cuba and others.....							26	11									26	11
Ecuador.....																		
Ecuador and others.....							65										65	
El Salvador.....							1,436	643	1,706	768	1,436	643	3,005	1,034			14,284	6,436
Honduras.....							8,423	3,791	8,261	3,667	8,423	3,791	7,075	2,478			18,284	8,436
Nicaragua.....							100	952									100	952
Peru.....							77,512	48,684	607	273	28,932	12,441	452				50,075	23,038
Various countries.....							55,464	34,935	52,545	24,491	15,001	6,703	500	175			146,463	77,025
Mexico by agreement.....																	123,010	55,129
Total countries south of United States.....	77,612	48,746	66,336	39,833	64,595	28,913	60,871	26,063	41,464	17,217	31,436	11,012	11,565	3,968			302,718	165,772
Total various countries not identified.....	434	226	11,830	5,418	15,611	7,026	23,113	10,031	25,137	10,266	40,283	14,112	31,871	4,157			128,281	51,236
Canada:																		
Under agreement.....	2,071	1,154	7,497	3,350	9,759	4,360	14,439	6,272	12,136	4,818	11,672	4,065	7,131	2,496			62,034	25,381
Others.....	2,071	1,154	1,500	687	3,727	1,677	3,728	1,601	4,895	1,991	3,463	1,213	228	80			10,612	5,405
Total Canada.....	2,071	1,154	8,997	4,037	13,486	6,037	18,167	7,875	17,031	6,809	15,135	5,278	7,359	2,576			72,646	30,786
Total new production silver.....	80,117	50,126	87,162	39,288	93,692	41,976	101,151	43,960	83,632	34,292	86,856	30,422	30,615	10,712			563,243	293,794

TABLE 1.—Recapitulation of all silver purchases by sources from the enactment of the Silver Purchase Act on June 19, 1934 to Apr. 18, 1938 (ounces 0.999 fine)—Continued

TRADING AND INVENTORY SILVER

Sources as reported	June 19, 1934 to Dec. 31, 1935		1936		1937		1938		1939		1940		1941		1942		Total	
	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost	Ounces	Cost
New York: Total trading silver and inventory silver.....	185,336	\$103,864	22,669	\$10,432	18,420	\$8,289	24,356	\$10,516	27,635	\$11,543	25,613	\$8,672	1,974	\$691	308,033	\$154,307		

OTHER PURCHASES OF SILVER

Various countries:																		
Canada.....	81	\$90	9,050	\$3,955	11,806	\$5,059	6,087	\$2,875	—	—	663	\$222	—	—	—	—	7,431	\$3,167
London.....	468,993	292,037	—	—	—	—	1,949	856	—	—	—	—	—	—	—	—	462,798	291,917
Spain.....	—	—	—	—	—	—	35,000	15,050	—	—	—	—	—	—	—	—	35,000	15,050
Dominican Republic.....	—	—	—	—	—	—	—	82	—	—	—	—	—	—	—	—	82	—
Mexico, special purchase.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Banco de Mexico in New York.....	172	107	—	—	—	—	—	—	—	—	—	—	—	—	—	—	172	107
Others.....	75,422	46,584	73	33	—	—	—	—	—	—	—	—	—	—	—	—	75,495	46,617
Subtotal.....	545,698	338,898	9,123	3,988	46,806	20,369	43,826	18,853	—	—	663	222	—	—	—	—	646,086	382,600
Far East:																		
China.....	115	74	66,875	30,157	130,026	58,612	265,892	115,530	33,341	\$13,787	5,143	1,800	865	\$282	—	—	302,297	220,142
India.....	3,687	1,961	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,687	1,961
Japan.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kingdom of Thai (Siam).....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal.....	3,802	2,035	67,075	30,202	130,026	58,612	274,391	115,530	47,658	19,943	5,286	1,854	3,425	1,200	—	—	531,675	292,631
Total of other purchases of silver.....	549,470	340,843	76,198	34,190	176,852	79,221	318,217	138,068	47,658	19,943	5,961	2,086	3,425	1,200	—	—	1,177,761	615,621
Grand total.....	814,823	494,833	196,059	83,910	288,944	129,586	443,794	192,023	158,945	65,776	118,430	41,680	36,014	12,612	—	—	2,047,039	1,030,722

Note.—The figures showing ounces and cost appearing in this statement represent the ounces and cost of the silver contracted to be purchased. Actual deliveries vary slightly in ounces and cost shown herein does not include expenses of shipping, insurance, handling or other charges. The total cost of the silver purchased, including shipping, insurance, handling and other charges is \$1,026,292,000.

SILVER

SILVER

TABLE II.—Net imports, mint acquisitions, and Treasury purchases of foreign silver, 1933 to date

[In millions of ounces]

Year and month	Net imports ¹	Treasury purchases of foreign silver	Mint acquisitions of foreign silver
1933.....	117.7	—	—
1934.....	170.8	216.1	172.5
1935.....	525.7	508.8	494.4
1936.....	393.7	186.1	271.9
1937.....	194.9	288.9	241.5
1938.....	516.8	443.7	355.4
1939.....	177.4	158.9	282.8
1940.....	15.4	12.8	14.0
January.....	10.9	13.0	20.9
February.....	14.4	15.3	11.8
March.....	13.0	11.7	17.4
April.....	12.6	17.6	12.7
May.....	10.8	6.0	6.3
June.....	15.3	6.5	13.4
July.....	11.2	4.7	10.4
August.....	12.9	6.7	10.3
September.....	13.6	9.7	8.0
October.....	13.3	7.4	5.6
November.....	13.0	7.0	2.9
December.....	12.1	9.2	7.9
1941.....	7.1	3.2	4.5
January.....	9.8	3.6	6.0
February.....	8.9	2.6	3.9
March.....	7.8	4.3	4.7
April.....	11.1	3.6	6.1
May.....	12.3	3.3	8.6
June.....	9.6	2.0	8.7
July.....	8.6	1.5	7.6
August.....	—	1.5	6.5
September.....	—	—	4.1
October.....	—	—	3.7
November.....	—	—	3.3
December.....	—	—	3.4
1942.....	—	—	2.8
January.....	—	—	—
February.....	—	—	—
March.....	—	—	—
Total.....	2,046.9	—	2,037.1

¹ Based upon the Commerce statistics of monthly imports and exports of silver converted to ounces by dividing by the average monthly price of silver in New York as given by the Bureau of the Mint. Silver from the Philippine Islands received by the United States mints under the classification of newly mined domestic silver is included in these figures of net imports.

Source: Treasury Department, Division of Monetary Research.

TABLE III.—Monetary stocks of gold and silver

[In millions of dollars, on basis daily Treasury statements revised]

End of fiscal year or month	Gold (\$35 per fine ounce)	Silver (\$1.29+ per fine ounce)	Ratio of silver to gold and silver in monetary stocks
1934.....	7,856.2	898.2	10.3
1935.....	9,115.6	1,463.1	13.8
1936.....	10,008.4	2,249.5	17.5
1937.....	12,318.3	2,542.1	17.2
1938.....	12,963.0	3,066.4	19.1
1939.....	16,110.1	3,605.2	18.3
1940.....	17,831.0	3,817.6	17.6
January.....	18,177.0	3,850.7	17.5
February.....	18,433.1	3,873.1	17.4
March.....	18,769.9	3,901.6	17.2
April.....	19,208.9	3,924.6	17.0
May.....	19,963.1	3,939.6	16.5
June.....	20,462.5	3,963.7	16.2
July.....	20,912.8	3,982.6	16.0
August.....	21,244.4	4,002.2	15.9
September.....	21,505.5	4,022.9	15.5
October.....	21,800.8	4,038.9	15.6
November.....	21,994.8	4,060.0	15.6
December.....	—	—	—

TABLE III.—Monetary stocks of gold and silver—Continued

End of fiscal year or month	Gold (\$35 per fine ounce)	Silver (\$1.29 per fine ounce)	Ratio of silver to gold and silver in monetary stocks
1941—January	22,116.8	4,078.6	15.6
February	22,231.9	4,092.5	15.5
March	22,357.3	4,107.6	15.5
April	22,505.8	4,120.5	15.5
May	22,574.9	4,135.3	15.5
June	22,624.2	4,148.7	15.5
July	22,674.7	4,157.9	15.5
August	22,719.4	4,168.1	15.6
September	22,760.9	4,207.1	15.6
October	22,799.7	4,221.5	15.6
November	22,785.3	4,232.7	15.7
December	22,730.6	4,244.8	15.7
1942—January	22,747.2	4,257.1	15.8
February	22,704.8	4,267.5	15.8
March	22,687.4	4,272.4	15.8

1 Preliminary.

Source: Treasury Department, Division of Monetary Research, Apr. 20, 1942.

TABLE IV.—Silver coins of foreign nations and the melting point of each

Because of the existence of foreign exchange controls, prohibitions upon the export of coins, and emergency war legislation, and also because many of the countries of the world have been occupied by foreign powers, the representative melting points for many of the world's coins are no longer available. Therefore, in the table below the melting points are shown as of August 1939, and are determined on the basis of the coinage systems and exchange rates that existed on that date. No allowance is made for the costs of melting or transporting the coins.

Country	Silver coin	Fine silver content	Melting point
		Ounces	Cents per fine ounce
Argentina	None		
Australia	Florin	0.336	111.46
	Shilling	.168	111.46
	Sixpence	.084	111.46
	Threepence	.042	111.46
Belgium	20 francs	.481	353.43
Bolivia	Boliviano	.240	283.10
	50 centavos	.386	9.72
	20 centavos	.193	9.72
Brazil	100 milreis	.077	
	5 milreis		
	2 milreis	.129	86.20
British India	Ruppee	.344	87.28
	1/4 rupee	.172	87.28
	1/2 rupee	.086	87.28
Bulgaria	100 leva	.322	373.25
	50 leva	.161	373.25
Canada	20 leva	.064	373.25
	Dollar	.600	166.66
	50 cents	.300	166.66
	25 cents	.150	166.66
	10 cents	.060	166.66
	5 cents	.030	166.66
Chile	None		
Colombia	50 centavos	.362	79.48
	20 centavos	.144	79.48
	10 centavos	.072	79.48
Costa Rica	None		
Cuba	Peso	.774	134.11
	40 centavos	.290	133.21
	20 centavos	.145	133.21
	10 centavos	.072	133.21

1 Withdrawn in 1940.

2 In 1940 the standard fineness was reduced to 0.500.

TABLE IV.—Silver coins of foreign nations and the melting point of each—Con.

Country	Silver coin	Fine silver content	Melting point
		Ounces	Cents per fine ounce
Czechoslovakia	50 koruny		
	20 koruny	.324	211.66
	None		
Denmark	50 sucres	.585	60.49
Dominican Republic	2 sucres	.293	60.49
Ecuador	Sucro	.118	60.49
	50 centavos	.058	60.49
Egypt	20 piastres	.750	127.97
	10 piastres	.375	127.97
	5 piastres	.188	127.97
	2 piastres	.075	127.97
Erie	Half crown	.340	147.90
	Florin	.272	147.90
	Shilling	.136	147.90
	2 krooni	.192	274.75
Estonia	Kroon	.096	274.75
Finland	None		
France	20 francs	.437	121.23
	10 francs	.218	121.23
Germany	5 reichsmarks	.402	497.65
	2 reichsmarks	.161	497.65
Greece	None		
Guatemala	25 centavos	.193	129.60
	10 centavos	.078	129.60
	5 centavos	.039	129.60
Haiti	None		
Honduras	Lempira	.362	138.24
	50 centavos	.181	138.24
	20 centavos	.072	138.24
Hungary	5 pengo	.514	190.32
	2 pengo	.206	190.32
	Pengo	.103	190.32
Iran	5 rials	.665	43.73
	2 rials	.266	43.73
	Rial	.133	43.73
	16 rial	.067	43.73
Iraq	200 fil	.579	161.74
	50 fil	.145	161.74
	20 fil	.058	161.74
Italy	None		
Japan	do		
Latvia	5 lats	.670	141.47
	2 lats	.268	141.47
	Lat	.134	141.47
Lithuania	10 litu	.430	391.70
	5 litu	.215	391.70
	2 litu	.086	391.70
	Litas	.043	391.70
Mexico	Peso	.386	53.39
	50 centavos	.193	53.39
	20 centavos	.077	53.39
Netherlands	2 1/2 florins	.578	228.96
	Florin	.231	228.96
	50 cents	.115	228.96
	25 cents	.074	180.02
	10 cents	.029	183.39
New Zealand	Half crown	.228	206.88
	Florin	.182	206.88
	Shilling	.091	206.88
	Sixpence	.045	206.88
	Threepence	.023	206.88
Nicaragua	None		
Norway	do		
Panama	Balboa	.774	129.28
	50 centesimos	.362	138.24
	25 centesimos	.181	138.24
	10 centesimos	.072	138.24
Paraguay	None		
Peru	Sol	.402	47.28
	50 centavos	.201	47.28

1 Silver Jubilee commemorative coin.

2 No longer coined but still in circulation.

3 These have been withdrawn in both Czechia and Slovakia.

4 Equal in weight and fineness to United States coins.

TABLE IV.—Silver coins of foreign nations and the melting point of each—Con.

Country	Silver coin	Fine silver content		Melting point
		Ounces	Cents per fine ounce	
Poland.....	10 zlot.....	.380	358.22	
	5 zlot.....	.365	358.22	
	2 zlot.....	.335	358.22	
Portugal.....	10 escudos.....	.146	145.80	
	5 escudos.....	.073	145.80	
Rumania.....	100 lei.....	.145	497.55	
Sweden.....	2 kronor.....	.380	124.42	
	1 krona.....	.193	124.42	
	50 ore.....	.096	124.42	
	25 ore.....	.047	128.66	
	10 ore.....	.019	128.66	
Switzerland.....	5 francs.....	.403	279.26	
	2 francs.....	.201	167.42	
	1 franc.....	.101	167.42	
Turkey.....	100 piasters.....	.320	234.21	
	50 piasters.....	.160	234.21	
	25 piasters.....	.080	234.21	
United Kingdom.....	Half crown.....	.227	257.18	
	Florin.....	.182	257.18	
	Shilling.....	.091	257.18	
	Sixpence.....	.045	257.18	
	Three pence.....	.023	257.18	
Uruguay.....	None.....			
Venezuela.....	5 bolivares.....	.723	217.72	
	2 bolivares.....	.290	234.39	
	Bolivar.....	.124	234.39	
	50 centimes.....	.067	234.39	
	25 centimes.....	.033	234.39	
Yugoslavia.....	50 dinari.....	.530	219.80	
	10 dinari.....	.112	207.11	

Source: Treasury Department, Division of Monetary Research, Apr. 21, 1942.

TABLE V.—Silver of specified classifications acquired by mints and assay offices

Calendar year or month	Newly mined domestic ¹		Nationalized ²		Foreign ³		Total	
	Ounces	Dollars	Ounces	Dollars	Ounces	Dollars	Ounces	Dollars
1934.....	21.8	14.1	110.6	55.3	172.5	86.5	304.9	155.9
1935.....	38.0	27.3	2.0	1.0	494.4	318.2	534.3	346.5
1936.....	61.1	47.3	.4	.2	271.9	150.2	333.4	197.0
1937.....	70.6	54.6			241.5	108.7	312.2	183.4
1938.....	61.6	42.2			355.4	156.9	417.1	199.1
1939.....	60.7	39.9			282.8	120.9	343.3	190.4
1940:								
January.....	7.3	5.2			14.0	5.7	21.3	10.9
February.....	4.5	3.2			20.9	7.8	25.4	11.0
March.....	5.6	4.0			11.8	4.4	17.4	8.4
April.....	4.5	3.2			17.4	6.3	21.9	9.5
May.....	5.1	3.6			12.7	4.5	17.8	8.1
June.....	4.6	3.6			6.3	2.2	10.9	4.8
July.....	5.8	3.8			13.4	4.7	19.2	8.5
August.....	4.3	3.0			10.4	3.7	14.6	6.7
September.....	4.7	3.4			10.3	3.9	15.0	7.0
October.....	7.9	5.6			8.0	2.8	15.9	8.4
November.....	6.8	4.8			5.6	2.0	12.4	6.8
December.....	7.2	5.1			9.0	3.2	16.2	8.3
1941:								
January.....	6.5	4.6			7.9	2.8	14.4	7.4
February.....	5.9	4.2			4.8	1.7	10.7	5.9
March.....	5.7	4.1			6.0	2.1	11.7	6.2
April.....	6.3	4.5			3.9	1.4	10.2	5.9
May.....	6.5	4.6			4.7	1.7	11.2	6.3
June.....	4.3	3.1			6.1	2.3	10.4	7.8
July.....	6.5	4.6			8.6	3.2	15.1	8.1
August.....	6.7	4.8			8.7	3.3	15.4	8.1

TABLE V.—Silver of specified classifications acquired by mints and assay offices—Con.

Calendar year or month	Newly mined domestic		Nationalized		Foreign		Total	
	Ounces	Dollars	Ounces	Dollars	Ounces	Dollars	Ounces	Dollars
1941—Continued.								
September.....	7.2	5.1			7.6	2.9	14.8	8.0
October.....	4.6	3.2			6.5	2.6	11.1	5.8
November.....	4.5	3.2			4.1	1.6	8.6	4.8
December.....	5.8	4.1			3.7	1.5	9.5	5.6
1942:								
January.....	6.0	4.3			3.3	1.4	9.3	5.7
February.....	4.7	3.4			3.4	1.4	8.1	4.8
March.....	5.1	3.5			2.8	1.2	7.9	4.8

¹ Acquired at 64.64+ cents per fine ounce until Apr. 9, 1935; at 71.11+ cents per fine ounce from that date until Apr. 23, 1935; at 77.57+ cents from Apr. 23, 1935, to Dec. 31, 1937; at 64.64+ cents per fine ounce from Dec. 31, 1937, to July 1, 1939; and at 71.11+ cents since July 1, 1939.

² Acquired at 50.01 cents per fine ounce. Executive proclamation of Aug. 9, 1934, repealed Apr. 28, 1938.

³ Acquired at various prices averaging approximately 52 cents per ounce.

Treasury Department, Division of Monetary Research, Apr. 20, 1942.

TABLE VI.—Seigniorage on silver (cumulative from Jan. 1, 1934)

[In millions of dollars]

End of calendar year or month	Seigniorage on silver and minor coins	Sources of seigniorage on silver bullion retained ¹					Total seigniorage on silver retained	Potential seigniorage on silver bullion at cost in general fund ²
		Miscellaneous silver (in- cluding silver bullion held June 14, 1934)	Newly mined silver (procla- mation Dec. 21, 1933)	Newly mined silver (act July 6, 1932)	Silver Purchase Act of June 19, 1934	Nationalized silver (procla- mation of Aug. 9, 1934)		
1934.....	4.5	48.7	0.4	.....	51.1	28.5	128.7	132.5
1935.....	18.5	48.7	16.8	.....	226.2	34.5	326.2	274.6
1936.....	46.1	48.7	36.0	.....	302.7	34.7	422.1	397.9
1937.....	63.7	48.7	68.0	.....	366.7	34.7	508.1	541.6
1938.....	69.5	48.7	74.9	.....	457.7	34.7	616.0	758.8
1939.....	91.7	48.7	87.3	4.2	530.7	34.7	705.6	950.6
1940:								
January.....	92.9	48.7	87.5	6.3	533.8	34.7	711.0	961.5
February.....	93.9	48.7	87.5	7.7	538.3	34.7	716.9	972.1
March.....	94.7	48.7	87.5	9.5	542.3	34.7	722.7	987.5
April.....	95.5	48.7	87.5	11.0	546.4	34.7	728.3	998.1
May.....	97.2	48.7	87.5	12.6	549.2	34.7	732.7	1,009.6
June.....	98.4	48.7	87.6	14.2	550.5	34.7	735.7	1,017.4
July.....	99.8	48.7	87.6	15.9	553.4	34.7	740.3	1,025.0
August.....	103.3	48.7	87.6	17.2	555.8	34.7	744.0	1,031.0
September.....	107.3	48.7	87.6	18.5	557.2	34.7	746.7	1,040.1
October.....	111.9	48.7	87.6	21.3	559.8	34.7	752.1	1,047.3
November.....	117.3	48.7	87.6	23.3	561.1	34.7	755.4	1,051.5
December.....	122.2	48.7	87.6	25.7	562.7	34.7	759.4	1,055.8
1941:								
January.....	125.3	48.7	87.6	27.7	564.7	34.7	763.4	1,062.0
February.....	127.0	48.7	87.6	29.6	565.9	34.7	766.5	1,066.8
March.....	128.3	48.7	87.6	31.5	567.0	34.7	769.5	1,074.9
April.....	132.6	48.7	87.6	33.5	568.1	34.7	772.6	1,079.2
May.....	137.2	48.7	87.6	35.6	569.1	34.7	775.7	1,079.1
June.....	143.5	48.7	87.6	37.1	570.7	34.7	778.8	1,079.5
July.....	149.4	48.7	87.6	39.1	572.7	34.7	782.8	1,079.8
August.....	155.1	48.7	87.6	41.0	574.9	34.7	786.9	1,087.3
September.....	162.0	48.7	87.6	43.5	576.5	34.7	791.0	1,089.8
October.....	169.2	48.7	87.6	45.1	578.2	34.7	794.4	1,085.5
November.....	176.4	48.7	87.6	46.4	579.4	34.7	796.8	1,090.7
December.....	182.1	48.7	87.6	48.3	580.4	34.7	799.7	1,099.0
1942:								
January.....	188.5	48.7	87.6	50.2	581.3	34.7	802.5	1,094.2
February.....	192.4	48.7	87.6	51.6	582.1	34.7	804.7	1,096.3
March.....	195.3	48.7	87.6	53.3	582.9	34.7	807.2	1,097.8

¹ These items represent the difference between the cost value and the monetary value of silver bullion retained and held to secure silver certificates.

² The figures in this column are not cumulative; as the amount of bullion held changes, the potential seigniorage thereon changes.

Source: Treasury Department, Division of Monetary Research, Apr. 20, 1942.

EXTRACT FROM A RADIO ADDRESS OF PRESIDENT ROOSEVELT OCTOBER 22, 1933

I repeat what I have said on many occasions, that ever since last March the definite policy of the Government has been to restore commodity price levels. The object has been the attainment of such a level as will enable agriculture and industry once more to give work to the unemployed. It has been to make possible the payment of public and private debts more nearly at the price level at which they were incurred. It has been gradually to restore a balance in the price structure so that farmers may exchange their products for the products of industry on a fairer exchange basis. It has been and is also the purpose to prevent prices from rising beyond the point necessary to attain these ends. The permanent welfare and security of every class of our people ultimately depends on our attainment of these purposes.

Obviously, and because hundreds of different kinds of crops and industrial occupations in the huge territory that makes up this Nation are involved, we cannot reach the goal in only a few months. We may take 1 year or 2 years or 3 years.

No one who considers the plain facts of our situation believes that commodity prices, especially agricultural prices, are high enough yet.

Some people are putting the cart before the horse. They want a permanent revaluation of the dollar first. It is the Government's policy to restore the price level first. I would not know, and no one else could tell, just what the permanent valuation of the dollar will be. To guess at a permanent gold valuation now would certainly require later changes caused by later facts.

When we have restored the price level, we shall seek to establish and maintain a dollar which will not change its purchasing and debt-paying power during the succeeding generation. I said that in my message to the American delegation in London last July, and I say it now once more.

Because of conditions in this country and because of events beyond our control in other parts of the world, it becomes increasingly important to develop and apply the further measures which may be necessary from time to time to control the gold value of our own dollar at home.

Our dollar is now altogether too greatly influenced by the accidents of international trade, by the internal policies of other nations, and by political disturbance in other continents. Therefore the United States must take firmly in its own hands the control of the gold value of our dollar. This is necessary in order to prevent dollar disturbances from swinging us away from our ultimate goal, namely, the continued recovery of our commodity prices.

As a further effective means to this end, I am going to establish a Government market for gold in the United States. Therefore, under the clearly defined authority of existing law, I am authorizing the Reconstruction Finance Corporation to buy gold newly mined in the United States at prices to be determined from time to time after consultation with the Secretary of the Treasury and the President. Whenever necessary to the end in view, we shall also buy or sell gold in the world market.

My aim in taking this step is to establish and maintain continuous control.

This is a policy and not an expedient.

It is not to be used merely to offset a temporary fall in prices. We are thus continuing to move toward a managed currency.

You will recall the dire predictions made last spring by those who did not agree with our common policies of raising prices by direct means. What actually happened stood out in sharp contrast with those predictions. Government credit is high; prices have risen in part. Doubtless prophets of evil still exist in our midst. But Government credit will be maintained and a sound currency will accompany a rise in the American commodity price level.

A NOTE ON THE PRESIDENT'S ADDRESS OF OCTOBER 22, 1933

The depreciation of foreign currencies, prior to 1933, had had the effect of making the dollar more expensive in terms of those foreign currencies. Thus it took more pounds, more francs, or more marks to buy a dollar than it had formerly and, since the prices of our export products are determined in terms of dollars, it took more pounds, francs, and marks to buy our export products. The effect of this had been to contribute to the serious decrease in our foreign trade, not because our own prices, in terms of dollars, had risen, nor because our products were of an inferior quality, nor because we did not have sufficient products to export.

But because, in terms of foreign currencies, our products had become so much more expensive, we were not able to obtain our fair share of the world's trade. It was, therefore, necessary to take measures which would result in bringing the dollar back to the position where a fair amount of foreign currency could again buy our products; that is, to make the dollar cheaper in terms of pounds, francs, or marks. This was the process which commenced in March 1933 and which had to be continued until that level was reached. It was not desirable to make this level too low, because then our own importers would find it difficult to buy foreign merchandise. But it was clear that the level had been too high, and we wanted to find the appropriate level.

By joint resolution (Public Res. 10, approved June 5, 1933), the Congress declared invalid all gold clauses contained in bonds already issued or thereafter to be issued, and authorized the payment of these bonds in ordinary legal tender. This joint resolution was a necessary step in effectuating the Government's control of the monetary system. The preamble of the resolution itself contained the statement of policy, namely, that the holding of, or the dealing in, gold affects the public interest, and is therefore subject to public regulation and restriction, and that the gold clauses in bonds obstruct the power of Congress to regulate the value of the money of the United States.

My message to the World Monetary and Economic Conference also stated the monetary objectives toward which we were working—"giving to those (national) currencies a continuing purchasing power which does not greatly vary in terms of the commodities and need of modern civilization." I there pointed out that the important problem was not the temporary fixing of exchange, but stabilization of each nation's currency, conservation of metallic reserves, and the restoration of world trade by removal of existing commercial embargoes.

There can be no doubt on the part of persons familiar with the facts that by the end of 1933 the more immediate emergency goal of the administration, to remedy the crisis which confronted it in March 1933, had been accomplished—the restoration of public confidence. The sound banks of the country had been reopened and were functioning normally; money and gold which had been withdrawn from hoarding had been redeposited. The dollar was functioning regularly as an instrument in international trade, and was gradually and soundly readjusting itself to the value of world currencies.

Measures for permitting the dollar to find its proper place in relation to foreign currency had, as we have seen, taken two forms. First, the suspension of gold payments and the prohibition of shipments of gold to support the dollar abroad had detached the value of the dollar in foreign exchange from its previous gold value. Second, the gradually increasing price paid for gold, in relation to which all currencies may be directly or indirectly measured, likewise operated to change the foreign exchange value of the dollar. To illustrate, if today the price of gold in the London market were 7 English pounds for an ounce of gold, and the price paid by the United States were \$35 for an ounce of gold, it would be easy to see that the price of 1 English pound would be approximately \$5.

In the foregoing address, I pointed out that this measure of improvement did not mean that our work had ended but that it was becoming "increasingly important to develop and apply the sound measures which may be necessary from time to time to control the gold value of our own dollar at home." * * * Therefore, the United States must take firmly in its own hands the control of the gold value of our dollar * * * in order to prevent dollar disturbances from swinging us away from our ultimate goal, namely, the continued recovery of our commodity prices."

By January 1934 these "sound measures" had been developed and were ready to be tried. We were ready "to take firmly in our own hands the control of the gold value of our dollar," which was done by the Gold Reserve Act of 1934, which I recommended in my message of January 15, 1934.

Source: The Public Papers and Addresses of Franklin D. Roosevelt, vol. II, pp. 428-429.

ANNOUNCEMENT BY THE SECRETARY OF THE TREASURY, APRIL 19, 1938, OF THE DISCONTINUANCE OF THE INACTIVE GOLD ACCOUNT

On December 22, 1938, the Secretary of the Treasury stated that, after conferring with the Board of Governors of the Federal Reserve System, he proposed to take appropriate action with respect to net additional acquisitions or releases of gold by the Treasury Department whenever it was deemed advisable and in the public interest to do so.

In pursuance of that policy, the Secretary of the Treasury, after conferring with the Board of Governors of the Federal Reserve System, today announces that the inactive gold account has been discontinued.

**ANNOUNCEMENT BY THE SECRETARY OF THE TREASURY, DECEMBER 22, 1936,
WITH RESPECT TO NET ADDITIONAL ACQUISITIONS OR RELEASES OF GOLD BY
THE TREASURY DEPARTMENT**

The Secretary of the Treasury, after conferring with the Board of Governors of the Federal Reserve System, announces that he proposes, whenever it is deemed advisable and in the public interest to do so, to take appropriate action with respect to net additional acquisitions or releases of gold by the Treasury Department.

This will be accomplished by the sale of additional public-debt obligations, the proceeds of which will be used for the purchase of gold, and by the purchase or redemption of outstanding obligations in the case of movements in the reverse direction.

For Immediate Release, Thursday, March 23, 1939. Press Service No. 16-83.

TREASURY DEPARTMENT

Washington

Secretary Morgenthau today made public the following letter from Senator Robert F. Wagner, chairman of the Banking and Currency Committee of the Senate, and his reply thereto:

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
March 14, 1939.

HON. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

MY DEAR MR. SECRETARY: My interest in our monetary policy as chairman of the Senate Committee on Banking and Currency has, of course, been intensified by the committee's present consideration of my bill (S. 910) to extend certain monetary powers. I should like your help in answering a number of questions which have arisen both before and during our consideration of the bill.

I ask these questions with no critical intent, but solely with the hope of clarifying the whole subject. I realize that they relate to problems which are somewhat complex and technical and that any comprehensive answer may of necessity be somewhat lengthy. Nevertheless, I feel that a satisfactory discussion of them would be very helpful to the Congress and the public and I would appreciate your going into some detail.

The questions that seem to me most pertinent are these:

1. Who owns the gold now in the Treasury?
2. How much of the gold in the Treasury has been purchased with funds obtained from the sale of interest-bearing obligations of the Government?
3. Why has so much gold come to the United States in the past 5 years?
4. Is it true that gold comes here in large amounts because the Treasury is paying a higher price than other countries for gold and because it buys gold at a fixed price?
5. How much gold do you think we will get?
6. Why doesn't the Treasury stop buying gold?
7. Of what use to us is this large stock of gold? Is there any likelihood that we will get so much of the world's gold that we will "get stuck" with it?
8. Isn't it true that foreigners are getting shares of our productive industries and giving us in return gold that we have no use for?
9. What action, if any, should be taken with respect to the gold situation? Should we, for example, return to the gold standard of pre-1933?
10. Did devaluation of the dollar in 1934 have an unfavorable effect on our imports?
11. Who in England and France has the power of altering the gold value of their currencies and what is the extent of that power?
12. Is there any basis to the contention that the power to devalue operates to undermine the businessman's confidence so as to deter him from making loans and investments in the United States?

I believe that you can supply more satisfactory answers to these questions than anyone else and I should therefore appreciate your replying to them at your earliest convenience.

Very sincerely yours,

ROBERT F. WAGNER.

MARCH 22, 1939.

HON. ROBERT L. WAGNER,
United States Senate.

MY DEAR SENATOR: In your letter of March 14 you ask several important questions. These and similar questions, relating to gold and foreign exchange, have been asked so frequently that I welcome this opportunity to answer them and to make clear the policy of the Government with respect to these matters.

As you say, the questions raised involve technical matters which cannot be adequately handled in a page or two. However, I shall be as brief as is possible with materials of such complexity.

1. Who owns the gold now in the Treasury?

Title to all gold held by the Treasury, now amounting to about \$15,000,000,000, is vested in the United States.

A large part of this gold (\$12,336,858,533 on March 15, 1939) is held as security for gold certificates (or credits payable in gold certificates) issued to and held by the Federal Reserve banks pursuant to the Gold Reserve Act. Such gold certificates may be redeemed in such amounts of gold bullion as, in the judgment of the Secretary of the Treasury, are necessary to settle international balances or to maintain the equal purchasing power of every kind of United States currency.

The remainder of the gold held by the Treasury is accounted for as follows:

Gold reserve, held pursuant to law as a reserve against United States notes and Treasury notes of 1890.....	\$156,039,430
Allocated to the stabilization fund.....	1,800,000,000
Gold in general fund (against which gold certificates or credits have not as yet been issued):	
(a) Balance of increment resulting from reduction in the weight of the gold dollar.....	142,288,196
(b) In working balance.....	547,899,564

The Treasury disposes of gold in the following ways:

- (a) For use in industry, profession, or art. Any person needing gold for any such purpose can purchase gold from the Treasury.
- (b) For the purpose of meeting the international balance of payments. To this end the Treasury sells gold to the members of the Tripartite Accord and to their stabilization funds and fiscal agencies. The Treasury also may sell gold to foreign central banks upon application and under special conditions.

Neither Americans nor foreigners can obtain gold from the Treasury for the purpose of hoarding.

2. How much of the gold in the Treasury was purchased with funds obtained from the sale of interest-bearing obligations of the Government?

The Treasury pays for gold with the cash assets in the general fund, specifically out of the Treasury's deposit account with the Federal Reserve Bank of New York. The account is normally compensated by the deposit with the Federal Reserve bank of gold certificates or gold certificate credits issued against the gold then acquired.

Up to December 22, 1936, it was the policy of the Treasury to issue to the Federal Reserve bank gold certificates or gold certificate credits against the full value of the gold acquired. Under this procedure the purchase of gold by the Treasury did not involve any increase in the Federal debt either directly or indirectly. Shortly after December 22, 1936, however, the Treasury Department adopted a different procedure with respect to new gold purchases. Gold purchased was placed in an "inactive gold" account and paid for from the general cash balance of the Treasury without issue of additional gold certificates against the new gold acquisitions.

This procedure was departed from several times, however, by the issuance of gold certificates against gold released from the "inactive" account or against gold acquired but not placed in the "inactive" account. The "inactive" account

was discontinued in April 1938, and at that time the Treasury issued \$1,400,000,000 in gold certificate credits to the Federal Reserve banks against the gold released from the "inactive gold" account and thus increased its cash balance by that amount. Since that time the Treasury has followed a policy of issuing gold certificates periodically for additional gold acquired. Gold purchases are permitted to accumulate in the general fund in varying amounts before gold certificates are issued against them. On March 15, 1939, there was in the general fund \$548,000,000 of gold purchases against which gold certificates had not yet been issued but which had been paid for by checks drawn on the Treasury account with the Federal Reserve Bank of New York.

5. Why has so much gold come to the United States in the past 5 years?

Gold comes into the United States in settlement of the balance of international payments arising out of all transactions between the United States and all foreign countries. These international transactions include exports, imports, shipping services, tourists' expenditures, capital movements, interest payments, etc. When the demand for dollar exchange increases more rapidly than the supply of dollar exchange resulting from these transactions, the price of dollar exchange on the foreign-exchange market rises. It may rise to a rate at which it becomes profitable for bankers and dealers, foreign and American, to ship gold to the United States, sell the gold to the Treasury for dollars, and then sell these dollars on the foreign-exchange market.

Therefore, to answer the question why large amounts of gold flow to the United States it is necessary only to explain why United States dollar exchange is so much in demand.

A survey of our balance of payments for the last few years reveals at once that the greatly increased demand for dollar exchange which has taken place during the past 5 years is largely a consequence of the huge flow of capital to the United States and, more recently, of the large "favorable" trade balance. None of the other categories of items in our international transactions can be held responsible for the substantial net increase in the demand for dollar exchange during this period. In fact, for several important categories the net demand for dollar exchange decreased. It is the flow of capital to this country, particularly before 1938, upon which our attention must be focused if we are to understand the chief reason for the large gold inflow.

The following figures show the contrast between the large recorded inflow of capital in the past 5 years and the persistent and large outflow of capital in the years preceding:

Million outflow		Million inflow	
1928	-850	1934	+386
1929	-217	1935	+1,537
1930	-752	1936	+1,141
1931	-490	1937	+600
1932	-192	1938	+359
1933	-336		

The capital inflow in the years 1935 through 1937 was the major factor responsible for the inflow of gold, for it amounted in total to \$3,500,000,000 or 88 percent of the value of gold imported during that period.

The trade item did not become important from the point of view of gold inflows until the last quarter of 1937. From 1934 to 1937 the excess of our exports over imports averaged only \$250,000,000 a year. (Incidentally, if silver imports were included in our merchandise imports, which is the procedure followed by many countries in the world, our excess of exports over imports would have amounted to only \$80,000,000 a year in this period.) In 1938, however, the favorable trade balance greatly increased and was the dominant factor inducing the large flow of gold into the United States. The excess of exports over imports totaled \$1,134,000,000—the largest we have had in 17 years. This increased "favorable" balance of trade, together with other items, was responsible for the net inflow of gold in that year of \$1,600,000,000 of gold.

Thus it is evident that because there was a large inflow of capital in recent years, and in 1938 a large excess of exports over imports, there was a great increase in the net demand for dollar exchange; and because of this large increase in the net demand for dollars there was a large inflow of gold. Therefore, in the final analysis your question: "Why has so much gold come into the United States?" reduces itself to the questions: "Why did so much capital come to this country during the past 5 years?" and "Why did we have so large a 'favorable' trade balance in 1938?"

The answer to the first of these two questions, together with a description of the kinds of capital coming here, was given in some detail in my letter to Senator Vandenberg of September 22, 1936, a copy of which is enclosed for your convenience.

In section 3 of that letter the causes of capital imports into the United States are set forth as follows:

"(a) Capital withdrawn from abroad by American owners because of the greater security or the more attractive field for investment offered the capital at home. The return of these funds to the United States—much of which left the country in 1930-32—is, of course, an indication of the relative strength of our recovery and of the prevailing confidence in the future of American industry and American financial institutions.

"(b) Funds sent to this country by foreigners who likewise felt that American securities offered a more attractive or more secure investment opportunity than did investments available to them elsewhere.

"(c) Repurchase by foreigners of some of the foreign securities which Americans had purchased during the post-war decade and were now glad to get rid of even at low prices. This was particularly true of the securities of certain countries where nominal high exchange rates were coupled with devices whereby the nationals of these countries were encouraged to repatriate these securities at an exchange profit to themselves, or where maintenance of debt service was provided for only internally but not for foreign holders.

"(d) Need created by increasing foreign trade for larger working dollar balances to be kept in American banks by foreign banks and traders. Our international trade during 1934 and 1935 increased by one-third over the 2 years previous. It is to be expected that this greater volume of foreign trade transactions would call for larger working dollar balances.

"(e) Fear prevailing in some countries abroad of confiscation of property or of loss through inflation of their local currencies led during this period to a flight of capital from some of the countries whose economic and political situations have been threatened by disturbances with which you are doubtless familiar.

"(f) Lastly, funds sent to this country by speculators in the hope or expectation that an exchange profit will be possible if and when the currencies of their countries become depreciated in terms of the dollar.

"These are the causes which account for most of the capital inflows. Yet these capital inflows would not have resulted in such large sums being due to the United States were it not for the virtual cessation of foreign investments by Americans. Whereas in the years prior to the depression, annual foreign investments by Americans of more than a billion dollars were common, since 1931 the annual sums invested abroad have been negligible; nor does it appear that the United States will approach in the near future the predepression volume of foreign investment."

Since the above was written (September 1936) nothing has occurred to alter substantially the trend of capital movements or the reasons for them. With the exception of one 9-month period, capital has continued to flow to the United States in large volume. During that 9-month period, October 1937, to June 1938, there was a new outflow of short-term capital of over \$1,000,000,000, but the flow was reversed during the fall of 1938, and more than a billion of short-term capital has since come to the United States.

Capital will continue to flow into the United States in large amounts so long as:

- The opportunities for secure and profitable investment in foreign countries are not great enough to attract American capital abroad;
- The prospects of continued recovery here appear satisfactory to foreigners;
- The political situation abroad remains disturbed;
- There is possibility of further depreciation of some foreign currencies.

Whether the flow of capital into the United States will continue to take the form of gold or whether it will gradually assume the form of goods and services rather than gold depends upon the rapidity with which the mechanism of adjustments of international accounts operates. In earlier decades this adjustment process operated tolerably well and with fair speed to transform international movements of net balances into movements of goods and services. This adjustment process served to keep gold movements between countries relatively small in volume. In recent years, however, this mechanism has operated badly and haltingly. Moreover, it has had to operate under sudden and large capital and trade shifts which differed from those of earlier decades not only in magnitude but in character. To put it graphically, the mechanism of adjustment has had a heavier load to carry, the road has been uphill, and the incline has grown steeper.

The reasons and nature of this change taking place in the effectiveness of the so-called adjustment process of international accounts are matters too technical to warrant discussing in this letter. Suffice to say that because the numerous obstacles to rapid adjustment still prevail in virtually all countries with free exchanges any large movement of capital to the United States in the near future will doubtless take the form largely of an inflow of gold.

The significance of this fact as an explanation of the continuing flow of gold to the United States cannot be emphasized too strongly. As compared with the decades prior to 1930, there are now different relationships between international movements of capital and of gold, changes in domestic price levels, trade changes, contraction and expansion of credit, and changes in the volume of business activity. Realization of this basic economic change is necessary to appreciate the need for treating present day problems of gold and the capital flows quite differently than was appropriate prior to 1929. Monetary experience of those years, particularly in its international aspects, does not suffice for safe guidance for present day policy.

4. Is it true that gold comes here in large amounts because the Treasury is paying a higher price than other countries for gold, and because it buys gold at a fixed price?

This is a question we frequently hear. Unfortunately it is not wholly clear just what it meant since the phrase a "higher price for gold" may be interpreted in two quite different ways, and the answer to each of the two interpretations would be arrived at through quite different lines of reasoning.

If the question be interpreted to mean that gold comes to the United States in large amounts because we pay a higher price than other countries do in terms of a money price (i. e., in terms of dollars) then the answer is definitely "no". The United States pays the same price for gold, allowing for arbitrage and transportation costs, that any other country does—no more and no less. We do not pay any higher prices for gold than does England or France or Belgium or India.

The price of gold that is permitted to move freely in international channels of trade is (and must be) virtually the same the world over. An Englishman who sells gold in London gets the same return in pounds and shillings for it—with small variations to be explained in a moment—as he would get were he to send the same gold to New York or to Amsterdam or to Paris or to Bombay to be sold. Right now, for example, he would get about 148 shillings for an ounce of gold in the London gold market. If he ships that gold and sells it to the United States, he gets \$35 an ounce (less one-fourth of 1 percent). When he converts the dollar proceeds of the sale of that ounce of gold back into sterling and deducts the expenses of shipping, he gets approximately the same amount of sterling as he would have obtained had he sold the gold at home—namely, about 148 shillings. In other words, when a foreigner translates the dollars he gets from the sale of his gold back to his own currency, he finds that the price of gold is almost the same in London, Paris, Amsterdam, or Johannesburg. We pay dollars for gold, England pays sterling, Holland pays guilders, etc., but when conversion from one currency into another is made at the prevailing exchange rates we find that an ounce of gold brings approximately the same price in one country as in another.

I say approximately the same price. There are slight relative variations in the price as between different countries, variations which inevitably result from changes in the supply of and demand for foreign exchange. Any change, no matter how slight, in the relationship of the supply of foreign exchange to the demand will bring about a change in the price for foreign exchange. The fluctuations of exchange rates, together with the fluctuations in the price of gold in terms of foreign currencies, result in the occurrence of relative differences in the price of gold in different national money markets when computed in terms of a single currency, but these relative variations can occur only within narrow limits.

These slight relative variations in the price of gold as among various markets which make possible a profit in shipping gold from one country to another would continue whether we paid \$10 an ounce for gold, or \$50, or \$60. Slight variations in the dollar-sterling, dollar-franc, dollar-guilder rates, etc., do give dealers small profits when selling gold in one market rather than another but those variations operate as among all countries and at all levels of prices for gold; they are not peculiar to the United States alone, nor to the \$35 price for gold. Exactly the same condition prevailed when the price of gold was \$20.67 an ounce and when other countries had a fixed price of gold. It is the normal mechanism which has always prevailed and must inevitably prevail so long as gold is the international medium of exchange.

To dispose briefly of another common misconception. It has been sometimes claimed that gold comes here because the United States pays a fixed price for gold, whereas other countries buy gold at varying prices. The mere fact of fixity of the price of gold in terms of any given currency has little to do with the movement of gold. For example, England does not have a fixed price of gold, and yet her net imports of gold in some of the past few years were greater than ours. Belgium has had a fixed price for gold for 2 years, yet her reported gold holdings are no higher now than they were 8 years ago. Moreover, our gold price, although fixed in terms of dollars, is not fixed in terms of other currencies. When, for example, an Englishman sells gold to the United States, the number of dollars he gets may be fixed, but the amount of sterling he gets, if he converts the dollars into sterling, is not fixed; it fluctuates with every change in the sterling-dollar exchange rate. The amount in his own currency which an Englishman or a Frenchman receives when he sells gold is not fixed whether he sells his gold in New York, London, or Paris.

So far in answer to this question the discussion has been based on the interpretation of the phrase "higher price" as meaning a higher monetary price. If, however, the phrase is to be understood to mean—as is doubtless intended by many who put the question—a "higher price" in terms not of money but of goods and services, then the question becomes a quite different one. It should then be phrased as follows: "Is it not true that gold comes to the United States in large amounts because we give more goods and services for a dollar (or its monetary equivalent in foreign currencies) than does any other country?"

The answer to this question is likewise "No," though less unqualifiedly so because adequate statistical data for a categorical answer are not available.

The purchasing power of the dollar in the United States in terms of goods can be compared with its purchasing power in other countries only very roughly and only with respect to those goods which do (or easily might) move from country to country. With respect to "services" comparison of the purchasing power of the dollar in the United States and elsewhere relates chiefly to shipping services and the expenditures by tourists.

Now it is extremely difficult to measure the differences in purchasing power of gold or currency as between different countries even with respect to such goods and services. Fortunately, for the purposes of the question we are examining, no such measurement is necessary. Were it true that an ounce of gold had a significantly higher purchasing power over American internationally traded goods than over foreign goods, indirect but definite evidence would be revealed in our trade figures. Our export excess would have so increased since 1933 that either we would have drained the outside world of all its monetary gold or we would have forced other countries to adopt strict exchange or import controls or much higher tariff schedules. No such developments have occurred. Foreign countries still have large gold holdings; many of them have not significantly heightened their barriers against imports of the world.

Convincing evidence that we do not pay a higher price for gold than do other countries in terms of goods and services is contained in the record of our balance of international payments on current account. For the years 1934 to 1937, inclusive, the balance of payments with respect to the pertinent commodity and service items was in the aggregate unfavorable by \$1,200,000,000, as far as the records show. Unfortunately, however, our international accounts, though more complete and reliable than those of other countries, are still subject to a substantial margin of error. In each year there has been a substantial "residual" item (i. e., unaccounted for) which during the 4 years in question totaled approximately 1½ billion dollars due the United States. Some portion of this favorable balance must be allocated to trade and services—how much it is impossible to know. But even if we allocated the whole residual item to commodity and service items—which would be an extravagant allowance—there would result only a small balance due the United States for those items during the 4 years in question—\$400,000,000 for the 4-year period. This constitutes too small a sum relative to the magnitudes involved in our balance of payments to justify the claim that an ounce of gold can buy more here than elsewhere.

There is little basis, therefore, for the contention that an ounce of gold could in general buy more goods and services in the United States than elsewhere from the years 1934 to 1937, inclusive. Or to put it in simpler and more accurate terms, the United States did not achieve any special competitive advantage in international markets as a consequence of its external monetary policy. The change in the gold value of the dollar in 1933 merely helped the United States

to regain its earlier position. In 1938 the trade situation appeared to change. We did experience a sharp increase in our trade balance. Exports, as pointed out earlier, exceeded imports in 1938 by some \$800,000,000 more than in 1937. But most of this increase cannot be attributed to any changed relationship of the dollar to other currencies because the exports excess arose from a sharp decrease in imports, and not from an increase in exports. The recession in the United States more marked and earlier than in other countries caused a temporary decrease in our purchases from abroad greater than the simultaneous decrease in our exports. This gap may be expected to narrow as recovery proceeds.

The only sense in which it might be said that we give more for gold than other countries is that in addition to \$35 an ounce we also give peace, security, prospects of higher returns on investment, and better speculative opportunities, with the result that foreign capital funds flow here in the shape of gold. It is these values that constitute the chief factor conducive to a flow of gold to the United States.

5. How much more gold do you think we will get?

How much we will get depends upon the extent and direction of changes in our balance of trade and services, upon the output of new gold, and upon the trend of capital movements.

Since capital movements are so sensitive to international political and economic developments, one can only hazard a guess as to their future trend. At this moment it looks as though the European situation will remain so disturbed as to postpone for some time any substantial repatriation of foreign balances. It also appears as though early resumption of American lending abroad such as would cause a gold outflow is extremely unlikely.

As for our balance on commodity and service items, the fear of war and the preparation for war by foreign nations are likely to sustain our exports and reduce American tourist travel in Europe and Asia—both developments making for additional gold inflows. On the other hand, continuance of our recovery here will tend to increase our imports and to increase American tourist travel in the Western Hemisphere. I believe the latter trend will outweigh the other and that on commodity and service account the net balance due us will be less in 1939 than it was last year. On the other hand, capital inflows will probably be large so that, on the whole, it appears that in the near future the United States will continue to get gold, perhaps in as large volume as in recent years.

Current world gold production (outside the United States) now amounts to over \$1,000,000,000 per year. The bulk of this newly-mined gold can go only to a few countries. Most countries now utilize practically every available dollar of foreign exchange to purchase imports or to make additional payments on outstanding foreign debts. Much as they would like to acquire gold, and much as they need it, they want to acquire additional imports even more. Therefore, it is to be expected that until current hostilities and intensive preparedness for wars cease, and until the world economic situation improves, the bulk of the newly mined gold will be added to the monetary stocks of only a few countries and the United States will get a substantial share of it.

6. Why doesn't the Treasury stop buying gold?

A simple way of stopping gold from coming into the United States would be for the Treasury to announce to the world that we will not buy any more gold for the time being. But, such a step, taken unilaterally, would have disastrous effects on our economy. It would disrupt the foreign exchanges and gold bullion markets and would very soon cause such drastic disturbances in international trade and even in the domestic sphere as seriously to impede the recovery of business.

Present relationships among the various leading currencies would be upset. The dollar probably would appreciate immediately in terms of other leading currencies. At present, when the demand for dollar exchange increases, foreigners need only obtain gold (either at home or on the London market), ship it here and obtain dollars in exchange. Thus an increased demand for dollar exchange relative to the supply is met. If, however, this means of securing dollar exchange were removed, dollars would rise in value indefinitely in terms of other currencies. While it is impossible to know in advance what rates of exchange would finally emerge, we can be certain of at least one thing—that no country would benefit from the ensuing international monetary disruption.

Were the United States, moreover, to declare a complete embargo on gold imports, it might deal a serious blow to the value of gold as a monetary medium. (Such action coming at a period when there was discussion of the possibility of world overabundance of gold might have repercussions which would disturb

the public's confidence in the value of gold.) The leading gold producing areas would be hard hit and some might even be involved in a major economic crisis.

A closely related question that has frequently been asked is: "Should not the price of gold be reduced? Is not \$35 an ounce too high a price for gold?" Possibly the simplest way to answer this question is to examine the consequences that would ensue from an increase in the gold content of the dollar (or, to phrase it another way, from a decrease in the monetary value of gold).

A reduction by Congress in the monetary value of gold would probably not be as calamitous as a complete embargo. It would limit the extent of possible depreciation of gold (or appreciation of the dollar in terms of foreign currencies) and the psychological disturbance caused by the change would not be as potent, yet it would have disadvantages serious enough to render resort to any such action most unwise. If the reduction made in the price of gold were small, our trade-and-service balance would not be much affected over the next year or so, nor would the inflow of capital cease. Once the drop in the price of gold was regarded by the rest of the world as definitive, the subsequent effect in capital imports would be virtually nil. Our securities would continue to be bought for the same reasons that they are bought now and dollar balances on foreign account would also continue to increase for the same reasons that they are increasing now. But, were a small decline in the price of gold to be regarded by numerous domestic and foreign investors and exchange speculators as being but the first of a series of drops, the result might well be to attract more, not less, funds to the United States, and to intensify the inflow of gold—the very thing it is designed to check. Speculators would rush to buy dollars and hold them here in anticipation of the next appreciation. Thus the effect on capital movements, both long-term and short-term, might more than offset the effect on trade and service items; instead of getting less gold we would find ourselves getting more.

On the other hand, were the monetary value of gold to be cut with one stroke substantially, and definitely—say, for example, to \$25 an ounce—the effect would be quite different from that described above. Such a step might reduce the volume of gold imports and perhaps give rise to an outflow of large dimensions; but, the economic effects on our economy of the change in the foreign exchange value of the dollar would be little short of disastrous. The 40 percent increase in the price of American currencies to foreigners would constitute a severe handicap upon our exports. Our exports play a role in the level of business activity much in excess of the magnitudes involved and so great an appreciation of our currency in terms of other currencies would be bound to curtail our exports seriously. In the past 6 months the dollar has appreciated in terms of other leading currencies by some 5 percent and price movements in the various countries have not been such as to offset this competitive disadvantage to us. The appreciation of the dollar has not been due to a change in the dollar price for gold but rather to a depreciation of foreign currencies in terms of gold. You will note that our exports during January 1939 were more than 40 percent less than they were in January 1938. Although it is too soon to evaluate the full significance of the decline, it is not unreasonable to assume that the less favorable position of the dollar in terms of other currency (i. e., higher prices of foreign currencies in terms of gold) contributed to the drop in exports.

Our imports on the other hand would, in the event of a reduction in the price of gold to \$25 an ounce, be 30 percent cheaper. Our domestic producers would then be exposed to greatly sharpened competition in the American market from foreign producers both because the prices in dollars of imports would be less, and also because the numerous ad valorem duties would constitute smaller protection.

Foreigners would have a greater advantage in this market but unfortunately even this would be of dubious value to them. The ability of Americans to buy goods, whether imports or domestic goods, depends chiefly upon the state of business activity here. It is chiefly for that reason that our imports during the recession of 1938 dropped to to almost one-half and that our imports began to increase in the fall of 1938. Thus, though the sharp appreciation of the dollar would make foreign goods cheaper in this country, our imports might actually be less than during the previous period and instead of benefiting the rest of the world we would be hurting world business as well as our own.

Judging from past experience we could not expect the prices of domestic commodities and services to move either at home or abroad with sufficient rapidity to adjust quickly and fully to any substantial alteration in exchange rates. For many months, perhaps for years, the economic position of large groups of American producers, including farmers, would be worsened and there would be widespread unemployment. The combined effect on our domestic economy of a sharp drop in exports and of increasing competition in the domestic market

would be keenly felt. Domestic prices would begin to fall. Many corporations would suffer loss of business and profits. In times such as the present these short-run effects—and by short-run we mean from a few months to several years—are of paramount importance. To brush aside, as some are prone to do these short-run effects on the ground that in the long-run appropriate adjustments will take place is to ignore the unstable world in which we live and the real problems which confront us from day to day.

Moreover, were we to reduce the price of gold and were it to result in an outflow of gold there is no reason to believe that the countries who most need gold would get it. On the contrary, were gold to leave the United States it would probably find a resting place in the very countries whose currencies would for the moment appear most secure. Certainly no gold would flow to Latin American countries in any substantial amount, nor would the Far East or the Balkans obtain more. The loss of gold by the United States would not correct the serious maldistribution. It would rather operate only to take away some from the United States which has too much and to add it to the holdings of other countries which likewise have too much.

Thus we are confronted with the fact that though we should like to receive less gold and even to get rid of substantial amounts of the gold we already have, there is, under the existing circumstances, no acceptable alternative to the policy we have been pursuing. In the case of all the proposals we have examined, the remedy has always been worse than the disease. The best way to reduce our gold inflow on commodity and service account is for us to have full recovery so that our imports will rise more rapidly than our exports.

7. Of what use to us is this large stock of gold? Is there any likelihood that we will get so much of the world's gold that we will "get stuck" with it?

Gold performs two monetary functions. First, it serves as a specie base for the monetary system. Secondly, it serves as the medium for settling international balances. These are distinct and separate functions. The present gold stock of the United States is about \$15,000,000,000. The question you ask, therefore, is: Is \$15,000,000,000 of gold more than enough to accomplish these two functions which gold now performs in our economic system?

It is doubtless true that we have more gold than we need to provide a specie base for our monetary system. Our laws require that a 40-percent reserve in gold certificates be held against Federal Reserve notes in circulation and a 35-percent reserve in gold certificates or lawful money against deposits of Federal Reserve banks. These legal reserve requirements are based on the assumption that gold-reserve requirements operate as a control of the volume of means of payment, as a protection against excessive issue of notes, and expansion of bank credit. At present, however, gold and gold-certificate holdings are so far in excess of these legal requirements that they can hardly be said to constitute a protection against undue expansion of our currency and credit. We now have enough gold to permit an enormous expansion of credit and currency even after generous allowance for the outflow of gold that might accompany such an expansion. Legal reserve requirements do not of themselves necessarily protect us against an undue expansion of the volume of money and the monetary authorities must be prepared, when and if the occasion arises, to apply appropriate supplementary control. This is especially likely to be true when gold holdings are as great as they now are.

But it is desirable that the reserves be above the minimum required by law. Otherwise in a period of business recovery the limitations on the expansion of notes and deposits which the gold reserve would impose would operate to curb the rise in business activity, or an outflow of gold would tend to initiate a contraction of credit, irrespective of the legitimate needs of business. It is clear, therefore, that some excess of gold above the legal minimum is needed to protect our domestic economy against effects of fortuitous inflows and outflows of gold. We now, however, have more gold than is necessary to insure this protection.

The second and more important monetary function of gold is its employment as a means of settling international balances among nations. Gold has been used for this purpose from time immemorial, and modern governments have as yet found no satisfactory substitute; nor is there any sign that a satisfactory substitute will be found in the near future.

Important commercial countries which carry little or no gold stocks have difficulties in settling their international payments. They have to see to it that their imports and exports are maintained in a certain relationship to each other. To achieve that and to keep their foreign exchange rates from fluctuating wildly they frequently have to maintain strict exchange controls so as to restrict merchandise imports and the movement of capital.

Small countries, which are not precluded by political and prestige considerations from holding their reserves in the form of foreign-exchange assets, can get along more or less satisfactorily without gold. But they can do so only because the countries whose currencies they hold as reserve assets do have large amounts of gold reserves.

Some countries (operating with very little gold or foreign-exchange assets) have been pointed to as illustrations of the phenomenon that countries can carry on foreign trade and settle international transactions without resort to gold, and that gold is rapidly becoming obsolete even for this monetary role. Those who make this claim completely misread the experience of these countries. These very countries do in fact need and prize gold more and seek it more anxiously, than do countries that use gold freely to settle balances of international payments. It is their inability to obtain gold which forces them to adopt a far less satisfactory alternative method of adjusting their balance of international payments; namely, the adoption of strict exchange control, of clearing agreements, of barter schemes, and the imposition of severe penalties against evasion and all the other business and liberty destroying procedures necessary to make the system work. There is no one thing which demonstrates more effectively the superiority of gold as a means for settling international balances than the experience of those countries that have tried to get along without it.

Without either gold or exchange controls, exchange rates would be very unstable. Any change in the balance of payments would have to be taken care of by international borrowing or lending, or the exchange rates would have to move to the point where the sums to be paid and the sums to be received were equated. Because we have abundant gold reserves we do not have to apply exchange restrictions, and broad changes in our balance of international payments can take place without interfering with the stability of the dollar exchange.

All these points have been granted by some critics, but they maintain that to fulfill both these functions much less than \$15,000,000,000 worth of gold would suffice. There is some merit to that contention, yet the future of international political and economic relationships is much too uncertain to justify our taking the steps which would be necessary if we were determined to reduce our gold holdings.

One important factor to bear in mind in considering our gold policy is the psychological reaction of the public to a continuing loss of gold. Should a country be undergoing loss of gold over a considerable period of time, there is likely to result impaired confidence in that country's currency and in the stability of its monetary system long before it has exhausted the gold it possessed in excess of legal or traditional reserve requirements. This has happened time and again throughout the world. Without greater ability to forecast future political and economic developments than is vouchsafed us, it is impossible to say with certainty that we have too much gold. We can say with some assurance, however, that we have enough gold to meet all likely contingencies, and that we are in a strong position to defend the stability of our credit structure and of the dollar against any quick change in our international balance of payments, including any large withdrawal of foreign capital.

The danger that gold will no longer be used as a medium of international exchange is so remote as not to merit serious consideration. Other countries will surely continue to accept gold in the settlement of favorable balances of payments, because gold is as important to them as it is to us. England has over \$3,000,000,000 of gold. France has almost as much; Holland, Switzerland, and Belgium and many other countries have what are for them large holdings of gold. It is in the interest of these countries as much as it is in our own interest to continue to rely on gold as an essential part of their monetary system. Moreover, we must not overlook the fact that nations producing substantial quantities of gold have important vested interests in the continuation of gold as a monetary metal. The British Empire alone produces about half the world's gold. Even countries that produce relatively small amounts of gold find that those small amounts are an important source of national income to them.

8. Isn't it true that foreigners are getting shares of our productive industries and giving us in return gold that we have no use for?

The amount of American securities which have been recently acquired by residents of foreign countries has been much less than is generally supposed. During the past 4 years the total of net foreign purchases of American securities amounted to only \$1,200,000,000, as follows:

1935.....	\$317, 000, 000	1937.....	\$245, 000, 000
1936.....	601, 000, 000	1938.....	49, 000, 000

There was, in addition, an increase in direct investments by foreigners as reported by the Department of Commerce of about \$175,000,000 during this period. Altogether, the total amount of investments by foreigners in American securities or directly in American industry during the past 4 years has been less than one-fifth of the gold sent here during those years.

These sums do not, of course, represent the total of foreign capital which has come into the United States. Short-term funds owned by residents of foreign countries increased by \$1,800,000,000. The bulk of these were demand deposits, which do not constitute acquisitions of shares in American industry and which do not earn any interest.

The acquisition of American securities by foreigners paid for with gold represents a transaction which admittedly is, under existing circumstances, of dubious advantage to the United States. Yet, given the relatively minor importance of the problem to date, we have not been able to convince ourselves that any of the possible remedies which we have so far examined gave promise of sufficient benefit to the national economy to offset their disadvantages.

On the other hand, it should be pointed out that if foreign holders of American securities liquidate their holdings and withdraw the proceeds, either gold or goods (and services), would necessarily be the resultant medium of withdrawal. If the vehicle of transmission were gold, its loss, in view of our large gold holdings could, of course, be regarded with equanimity. If the medium of transmission were goods, either because of direct purchases with the proceeds of the funds or because of the operations of the adjustment process, the resultant increase to our exports at a time when there exists a large volume of unemployed labor and other idle resources would have favorable effects on our economy.

2. What action, if any, should be taken with respect to the gold situation? Should we, for example, return to the gold standard of pre-1933?

The maldistribution of the world's gold is a reflection of the disturbed economic situation throughout the world and the chaotic international political situation. Redistribution can come only with progress toward the solution of the basic problems confronting world international relations.

In our study of this matter we have examined literally scores of proposals directed toward possible action to redistribute the world's gold. The major conclusion we have drawn is that any measure which would take the form of restrictions on the flow of gold into this country would have, at this time, detrimental effects upon our economy.

What disadvantages may be associated with the gold inflow are fortunately only of minor magnitude, and should, moreover, be attributed to the factors causing that inflow rather than to the inflow itself. Foreign ownership of American securities may, however, serve as a source of disturbance to our security markets in times of stress; similarly with short-term foreign capital sent here. On the other hand, the third factor responsible for the gold inflow to the United States—our export excess—does yield a gain.

The large inflow of gold in recent years has been a major factor in increasing excess bank reserves. These reserves do in some degree operate to stimulate an expansion of loans by banks and to keep the interest-rate structure lower—both developments helping somewhat to promote a higher level of business activity. Nonetheless, the prospect of continued large inflows of gold has been a cause of some concern on the part of those who consider a large volume of excess reserves as constituting a potential danger of inflation, though I do not regard this problem as one of immediate import.

The only immediately disturbing aspect of the gold problem is the loss of gold by foreign countries. The countries losing gold may be adversely affected by the loss and some of the adverse effects would impinge indirectly on us. This is to be deplored, but the factors producing this situation are external to us and beyond our control, acting alone.

With respect to the suggestion that the United States return to the gold standard of pre-1933, I must state definitely that such a move would be harmful to the American people and of no value to the people of other countries. In the first place, a return to the pre-1933 gold standard would mean a return to the \$20.67 an ounce price for gold. This, in the absence of similar changes in the gold value of other currencies, would represent a depreciation of approximately 40 percent in all foreign currencies in terms of the dollar.

It is obvious that an increase in the cost of the dollar to the foreigner by 70 percent and a decrease in the cost of foreign currencies to the American importer by 40 percent would seriously disrupt our foreign and domestic trade. Price

movements are not so general or so rapid as to adjust economic conditions quickly to changes in exchange rates, and such movements as would occur would take the form of falling prices, particularly prices of agricultural products and raw materials. From experience we know that such price movements have disastrous effects upon incomes, profits, and the level of business activity. We might be precipitated into a depression rivaling the 1930-33 experience. There can be no question, therefore, of returning to a gold dollar with the pre-1933 content. The answer to question 6 above contains a full discussion of the foreseeable effects which would result from any substantial increase in the gold content of the dollar.

Even if what were proposed were a return not to the old gold value but to a pre-1933 gold standard with the present gold content of \$35 an ounce, such a step would be unwise at this time. Our present monetary system differs from the pre-1933 gold standard in three respects other than gold content. First, our currency is not convertible into gold coin, secondly, there are Government controls over the movement of gold in and out of the country, and thirdly, there is Executive authority to change the gold content of the dollar.

Convertibility of currency would, in my opinion, have no substantial advantages. Virtually every country in the world has recognized this fact and has withdrawn the privilege. For in normal times there is nothing to be gained by the right to convert currency into gold, whereas at all times convertibility has the potential disadvantage of creating a possible source of internal gold drain which would come into play at the very time when it would be most injurious. Internal hoarding of specie reserves has been, in the experience of many countries, one of the most important reasons for the weakening of currencies. Though the prospect of such a contingency in the United States seems at this time remote, it would nevertheless always be a possibility under a convertible currency system. Moreover, in the event that there should develop an emergency situation calling for a further change in the gold content of the dollar, the existence of private gold holdings would create unnecessary difficulties.

At present the movement of gold out of the country is in effect subject only to the restriction that it must be for the purpose of settling international balances. Gold moves freely to satisfy legitimate commercial and financial needs. The present powers of control over the movement of gold provide a safeguard that can instantly be used in the contingency of an international crisis.

The power to change the gold content of the dollar should be lodged in an authority which can, in case of necessity, act swiftly and in a manner which will minimize the disturbances resulting from any change. This power should always be available; its existence contributes to the maintenance of stable exchange relationships, which make the exercise of the power unnecessary.

It is important to realize that rumors of an impending change in the value of a currency, or any public discussion by responsible officials that such a change might be made, would in themselves be enough to induce large flows of capital either into the country or out of the country, depending upon whether the prospect is for an increase in the value of the dollar or for a decrease in the gold content of the dollar. Discussion in committees would be advance notice to speculators that such action might take place. The mere fact that it might take place would be sufficient to induce the flow of capital, because if the change did not actually occur, the speculation would have cost only the small charges attending any exchange transaction. Indeed, congressional discussion would stimulate speculators to engage in activities of a sort which would of themselves tend to force Congress to take the action which had been in contemplation, even if on its own merits and in the absence of the situation created by the operations of the speculators, a negative decision would have been in order. The liquidation of foreign holdings of American capital might, under such circumstances, easily be powerful enough to disrupt the security exchanges and to introduce a chaotic situation in markets and in business generally. Since the prospect of devaluation would arise only under circumstances which were disturbing in any case, the outflow of capital would simply make bad things worse.

It therefore appears desirable that the Executive should have the power to alter the gold content of the national currency unit, in the public interest, and within clearly prescribed limits, as it is in most of the countries in the world, so that if an emergency situation should require its exercise, it could be exercised quickly, and without the necessity of prior public discussion and its concomitant invitation to speculative activities.

10. Did devaluation of the dollar in 1934 have an unfavorable effect on our imports?

Under one set of circumstances devaluation of a currency will induce an increase in imports and under a different set of circumstances it may decrease imports. Devaluation of the dollar in 1934 did contribute to an increase in United States imports.

The value of American imports varies, in the main, with domestic business activity. When business is good in the United States, our imports are high; when business is bad, our imports are low. For example, between 1929 and 1932 imports dropped from \$4,400,000,000 to \$1,300,000,000, a decrease of more than two-thirds. Again in 1938, owing largely to the recession which prevailed through most of that year, our imports dropped more than one-third. On the other hand, during the years of recovery—1934, 1935, 1936, and 1937—our imports rose from the low of 1.3 billion dollars to over 3 billion dollars. Increases or decreases in the total value of a country's imports are due to changes in prices as well as to changes in quantity. A sharp drop in the prices of imported commodities which are competitive with domestic products has economic repercussions which are very disturbing to the country receiving the imports. At a time when business activity is declining, any potent source of further price declines serves only to lower still further the level of business activity and to increase unemployment.

The best way to increase our imports is to increase our national income. Any measure which serves to promote recovery increases our imports and contrariwise any measure which serves to reduce business activity operates to reduce our imports.

As a consequence of falling prices and declining business intensified by the widespread depreciation of other currencies in 1931-33, we bought less because our national income was less notwithstanding the greatly lowered cost of imported goods. Even though depreciation of the dollar made imported goods more expensive, the improvement in business activity which followed devaluation was one of the factors responsible for the rise in national income and the consequent increase in imports. Whether or not depreciation of a currency will lead to increased or decreased imports depends upon the conditions which precede such depreciation, and upon other measures which accompany it, as well as upon the reaction of other affected countries.

11. Who in England and France have the power of altering the gold value of their currencies and what is the extent of that power?

In England the British treasury has the power to alter the sterling price of gold through its operations in the gold market. There is no statutory restriction on the extent to which the British treasury can change the sterling price of gold.

Similarly, the French treasury, through the mechanism of its foreign exchange and gold operations, can alter the franc price of gold without any statutory restrictions. In addition, the Council of Ministers is authorized to fix ultimately by decree the gold content of the franc. As yet, they have not done so. The Council of Ministers, in other words, can decide whether or not there should be any statutory gold value for their currency and under existing law can fix that value at any amount it wishes.

12. Is there any basis to the contention that the power to devalue operates to undermine the businessman's confidence so as to deter him from making loans and investments in the United States?

A factor that more than any other will increase the confidence of businessmen in the future is the assurance that business will improve; a development contributing substantially to that expectation would be the prospect of a stable or moderately rising price level. What businessmen fear with regard to the dollar is not that the price level in the United States may remain stable or rise but that the price level in the United States may fall (i. e., that the purchasing power of the dollar may rise.)

From past experience we know that falling prices have disastrous effects upon our economic system. The national income declines, business profits disappear, the security of loans is undermined and the level of business activity falls. If the businessman could be assured that price levels will not fall sharply, he would have greater confidence that business profits and the value of investments would be maintained and consequently he would be more willing to make investments and loans. At no time in modern history have lenders hesitated to lend during times of stable or moderately rising prices and at no time has their desire to lend increased during a period of substantially falling prices. The power to devalue should thus constitute for the businessman an added assurance that prices will

not be permitted to decline much or sharply in response to a marked depreciation of foreign currencies. This added assurance of domestic price stability should operate as an encouragement to investment.

The present attitude of the owner of capital toward the prospective value of the dollar is one of full confidence. This is borne out by the eagerness of the public to invest in long-term fixed-interest bonds at almost the lowest interest rate in the history of this or any other country. The fact that people are willing to invest billions at low rates of interest, and run the risk of depreciation of the real value of the bonds which would accompany any sharp rise in the general price level, suggests that they have confidence in the way which counts most; namely, by their willingness to risk their capital.

The assertion that the continuance of the power to change the gold content of the dollar generates lack of confidence and hesitation in the business world is not, I am convinced, based on factual considerations. Rather, it seems to me, it stems from an effort to reestablish the validity of monetary theories that are ill adapted to the circumstances prevailing in recent years.

Monetary disturbances in the world today arise from causes almost entirely outside our control. The effect of these disturbances on our monetary system has been such as to reflect greater confidence in the American dollar than in any other currency. This tribute to the soundness of the dollar, taking the form of huge transfers of funds in the United States, creates an unbalance which is the only factor in the situation which gives us any cause for real concern. The powers we possess have been sufficient to prevent any significant damaging effect on our domestic system. The monetary powers granted to the President by the Congress have been employed in such a way as to be powerful forces for stability rather than instability in the domestic economy and in the international field alike.

Sincerely,

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

[For immediate release.]

GOLD, AND THE MONEY OF THE UNITED STATES

An Address by Henry Morgenthau, Jr., Secretary of the Treasury, Washington, D. C., Friday, May 3, 1940

One thing you will hardly need to be told about our monetary system; that is, that the American dollar is the soundest unit of currency in the world. Its value is unquestioned here at home and it is not questioned anywhere else in the world. It is a solid rock of strength and stability amid all the monetary confusion created by aggression and war. It is more than a domestic currency; it has become in the last few years more and more an international currency. People throughout the world who are driven by disaster and fear to hoard currency prefer to hoard the currency of the United States, when they can get it.

We have tried through many means to facilitate stability in the currencies of the world. An outstanding example is the Tripartite Accord which we initiated in September 1936. In all, six of the leading democracies of the world have subscribed to the principles of that accord. Unfortunately, the progress we were making in the field of international finance and trade has been interrupted by the cataclysm in Europe.

One of the most striking developments of these recent years has been the universal confidence in the American dollar as one of the very few certain things in a highly uncertain world.

Some of our citizens who admit the strength of the dollar and the world's confidence in our currency now suggest that confidence in our dollar has resulted in this country receiving too much gold.

During the last 6 years we have acquired about \$10,000,000,000 of gold from abroad.

Why has so much gold come to the United States?

In the first place, we have exported many billions of dollars' worth of goods and services in excess of the amounts we have imported. Secondly, large amounts of foreign funds have come to this country to be placed and kept on deposit with our banks. Foreigners have sent their funds here for safekeeping because of the peace, stability, and security which this country enjoys.

Thirdly, foreigners have made large investments in American industries because they regard American business as a safe and profitable investment. Finally,

Americans have been withdrawing their funds from abroad and liquidating their foreign investments in large sums because they prefer the dollar to any other currency.

It is for these reasons that we have had so large a favorable balance of payments; it is for these reasons that gold has come and is continuing to come to the United States.

Gold moves from country to country not as a commodity but as a means of payment, the one final medium through which international settlements are made.

The continued acceptance of the gold that comes here is the only sound course of action open to us. There are, it is true, other courses of action theoretically possible, but they would all have disastrous consequences.

Take, for example, the proposal so frequently made to us that we stop buying gold. It has the charm of simplicity. All that we have to do is to issue an appropriate Treasury order. But let me tell you what I think would happen. Dollars abroad would instantly become very scarce and more costly, and the foreigner would find it much more expensive to buy American goods. For example, the British pound, the Canadian dollar, the French franc, the Dutch guilder would at once sharply depreciate. A chain of forces would be set in motion which would disrupt our trade, seriously discourage what remains of world commerce and remove from world finance the strongest element of stability.

The cessation of gold purchases would have the following three immediate effects of great importance to us:

Firstly, the sale of American products in foreign markets would be made much more difficult. This would not apply so much to war materials, which foreign countries want so urgently, but it would hit hard our export of hundreds of agricultural and industrial commodities not vital to the conduct of the war. We would lose heavily in the very markets we will badly need when the war is over.

Secondly, there would result an immediate flood of imports of cheapened foreign goods, which would deal an even more serious blow to labor, industry, and agriculture in America. The very items which compete with our domestic products would deluge our home markets. Meat and dairy products, textiles, and hundreds of other articles would at once be subjected to greatly intensified competition from abroad.

Thirdly, Americans who have investments abroad would find that they had suffered substantial dollar losses overnight just as foreigners with investments here would find that they had windfall gains overnight.

So you see this simple remedy is, in effect, a proposal that would completely disrupt our foreign exchange and our trade and greatly increase unemployment in this country. And so with the other naive proposals which some well-meaning citizens suggest as a remedy for our accumulating gold stocks.

Shall we follow their advice and cut the price for gold? A moderate cut would be ineffective, and a cut in price sufficiently large to have a significant effect on the gold inflow would introduce the same conditions as would follow prohibition of gold imports. This also would cause a serious decrease in our trade and a big increase in unemployment.

Shall we, as some have suggested, discriminate against certain countries in our purchases of gold? Such a policy would not even have the virtue of effectiveness. The active cooperation of practically the entire world would be required to prevent any one country's gold from entering the world's markets and reaching the United States. Obviously this would be impossible even in normal times, let alone at a time such as this. Besides, the value of gold is proportionate to its unqualified use and acceptance as an international medium of exchange. To limit its acceptance would mean to reduce its usefulness.

There is yet another alternative which has always been open to us. Instead of taking gold we could have granted credit. Americans could again have accumulated huge unsettled claims abroad. We have had experience with that system—extensive experience—in the decade that ended with the economic collapse of 1929. It is doubtful that Americans would want to repeat that experience.

For the excess of goods we shipped and for the dollar credits we granted we have taken gold in the last 6 years instead of promissory notes. The phrase "good as gold" still has real meaning in the world. I prefer the gold to pieces of foreign paper. I think most Americans agree with me.

Our gold policy is carefully adjusted to the realities of a complex world situation. There have been many glib suggestions for changing that policy. Examination of each of these suggestions has revealed, as in the examples I have mentioned, that in the effort to remedy fancied evils they would bring on real disaster.

Of course, should basic conditions alter, should we be confronted with new and unforeseen economic and political developments, the Government will necessarily take such action as will best protect American interests. It is to be prepared for such contingencies that the powers with respect to gold operations have been kept flexible. The Treasury is constantly observing, analysing, and studying the course of events in their relation to monetary problems in which this country is interested. But nothing has yet appeared which would warrant any change in our gold policy.

There is only one sound way in which we can work to reduce the inflow of gold and to promote the return of at least a part of the wealth it represents to useful service in the lands from which it came. That way is to do everything in our power to contribute to the return of peace to the world and to encourage reconstruction and the restoration of normal trade. With the restoration of enduring peace and economic stability abroad the gold problem will solve itself. Our great export surplus will drop—not because we shall sell less abroad but because we shall buy more. Foreign capital will be gradually repatriated—not because we drive it out but because it is attracted home by the reemergence of security abroad. Our investors will once again invest their funds abroad—not because of the scarcity of opportunity at home but because of greatly enhanced opportunities for sound and profitable investments in other lands. And finally our tourists will spend hundreds of millions more in foreign countries.

These are the developments which will automatically and gradually direct the flow of gold away from the United States. These are the developments upon which we must concentrate. We must concentrate on the promotion of further recovery here and peace and security abroad not in order to correct the gold situation, but because prosperity, peace, and security are in themselves the supreme ends of governmental policy. That their attainment will also solve the world's gold problem is only a byproduct, but an important one.

I should like finally to turn to the question of the continued usefulness of the gold we have and the gold we are going to get. This is a matter that is troubling some people.

Let me reassure you once and for all. As long as there are independent nations, and as long as there is international trade in goods and services, so long will it be necessary to settle international balances. Gold is the international medium of exchange par excellence. Its acceptability is universal; its utility as international money survives changes in economic systems. It is used and needed just as much by the freest democracies as by the most rigid dictatorships—as much by capitalist economies as by socialist economies. It is the refined instrument of international exchange of goods and services, as well as an essential ingredient in the more complex international financial transactions—an instrument that has functioned without challenge for hundreds of years. Every foreign country wishes it had more of it; no foreign country likes to lose any of it; all countries accumulate it as soon as they can afford to do so. And the fact that some countries find it possible to conduct their international trade without gold does not mean that they prefer to do so any more than people reading by candlelight do so because they prefer candles to electricity.

Gold does not lose its value because some countries are forced to resort to clearing arrangements, barter, import controls, and other substitutes. All these substitutes are admittedly worse alternatives. They are methods of conducting trade and finance which will only be adopted when a country does not possess adequate gold holdings. Governments resort wholly to these substitute methods for keeping a country's balance of payments in equilibrium only during times of great and prolonged stress and instability, and only when for one reason or another they have been unable to prevent the loss of most of their gold holdings. All countries would like to have more gold, and the countries which have the least are, you will find, countries which are striving most to add to their gold holdings. They do so because they know that an adequate supply of gold promotes economic strength and furthers financial stability.

To be sure, if the political picture of the world should undergo a drastic change in the future, so that instead of 50 or 60 independent nations there should exist only one or two groups dominated by ruthless powers, then international trade and finance may assume the character of domestic trade. There would cease to be independent monetary systems, as there would cease to be independent foreign policies. Balances between countries would be settled as balances between our States are now settled—that is, by transfers of deposits. Under such circumstances it might well be that gold would no longer be needed. But under those circumstances life would be so different that the possible loss in the value of gold would, I am sure, be the least of our troubles.

Certain governments may boast of the day when independent democracies will disappear. I, for one, have no fears that such boasts can be made good. I am confident that gold will continue to be used as the medium of international payments as I am that the majority of nations will succeed in maintaining their independence. With the return of peace and of normal economic and political relationships, the present barriers to the free flow of goods, capital, and services will be gradually lowered, and gold will inevitably play its indispensable role in making that result possible.

One word more—the exchange we made and are making in return for gold is a good bargain for us. It has enabled us to increase employment and recovery. It has made possible the utilization of labor, capital, machinery, and resources that would otherwise have been idle. We have expanded our exports and encouraged our domestic industry. And, moreover, we have at the same time acquired the safest physical asset in the world.

There are some sincere people who have been disturbed by stories that this country had a monetary policy that threatens to cause loss to the Nation. If you meet such people I hope you will reassure them. You may tell them that the greatest and richest country of the world has the best and soundest monetary system and that there is no reason to fear that it will not remain sound.

We can feel entirely comfortable in the possession of a supply of gold with which we can meet future demands on our monetary system without any shock to our economy. We can be prepared also to play the part we ought to play in the reconstruction of the world that must follow the senseless destruction of war.

STATEMENT BY THE PRESIDENT ON THE PURPOSE OF THE PROCLAMATION ON NEWLY MINED DOMESTIC SILVER

On December 21, 1933, the President issued a proclamation under authority of paragraph (2) of section 43, title III of the act of Congress approved May 12, 1933 (Public, No. 10), directing the coinage mints of the United States to accept for deposit newly mined domestic silver subsequent to the date of the proclamation, retaining 50 percent of such silver as seigniorage.

The purpose of this proclamation was to raise and then stabilize the price of silver in order to help (a) increase and then stabilize the commodity price level; (b) protect our commerce further from the adverse effects of depreciated foreign currencies; (c) augment the purchasing power of countries using silver; and (d) carry out the undertaking made at the London Conference.—From the Public Papers and Addresses of Franklin D. Roosevelt, volume II, page 539.

MESSAGE OF THE PRESIDENT ON THE SILVER PURCHASE ACT OF 1934

To the Congress of the United States:

On January 11, 1934, I recommended to the Congress legislation which was promptly enacted under the title, "The Gold Reserve Act of 1934." This act vested in the United States Government the custody and control of our stocks of gold as a reserve for our paper currency and as a medium of settling international balances. It set up a stabilization fund for the control of foreign exchange in the interests of our people, and certain amendments were added to facilitate the acquisition of silver.

As stated in my message to the Congress, this legislation was recommended as a step in improving our financial and monetary system. Its enactment has laid a foundation on which we are organizing a currency system that will be both sound and adequate. It is a long step forward, but only a step.

As a part of the larger objective, some things have been clear. One is that we should move forward as rapidly as conditions permit in broadening the metallic base of our monetary system and in stabilizing the purchasing and debt-paying power of our money on a more equitable level. Another is that we should not neglect the value of an increased use of silver in improving our monetary system. Since 1929 that has been obvious.

Some measures for making a greater use of silver in the public interest are appropriate for independent action by us. On others, international cooperation should be sought.

Of the former class is that of increasing the proportion of silver in the abundant metallic reserves back to our paper currency. This policy was initiated by the

proclamation of December 21, 1933, bringing our current domestic production of silver into the Treasury, as well as placing this Nation among the first to carry out the agreement on silver which we sought and secured at the London Conference. We have since acquired other silver in the interest of stabilization of foreign exchange and the development of a broader metallic base for our currency. We seek to remedy a maladjustment of our currency.

In further aid of this policy, it would be helpful to have legislation broadening the authority for the further acquisition and monetary use of silver.

I, therefore, recommend legislation at the present session declaring it to be the policy of the United States to increase the amount of silver in our monetary stocks with the ultimate objective of having and maintaining one-fourth of their monetary value in silver and three-fourths in gold.

The Executive authority should be authorized and directed to make the purchases of silver necessary to attain this ultimate objective.

The authority to purchase present accumulations of silver in this country should be limited to purchases at not in excess of 50 cents per ounce.

The Executive authority should be enabled, should circumstances require, to take over present surpluses of silver in this country not required for industrial uses on payment of just compensation, and to regulate imports, exports, and other dealings in monetary silver.

There should be a tax of at least 50 percent on the profits accruing from dealing in silver.

We can proceed with this program of increasing our store of silver for use as a part of the metallic reserves for our paper currency without seriously disturbing adjustments in world trade. However, because of the great world supply of silver and its use in varying forms by the world's population, concerted action by all nations, or at least a large group of nations, is necessary if a permanent measure of value, including both gold and silver, is eventually to be made a world standard. To arrive at that point, we must seek every possibility for world agreement, although it may turn out that this Nation will ultimately have to take such independent action on this phase of the matter as its interests require.

The success of the London Conference in consummating an international agreement on silver, which has now been ratified by all the governments concerned, makes such further agreement worth seeking. The ebb and flow of values in almost all parts of the world have created many points of pressure for readjustments of internal and international standards. At no time since the efforts of this Nation to secure international agreement on silver began in 1878 have conditions been more favorable for making progress along this line.

Accordingly, I have begun to confer with some of our neighbors in regard to the use of both silver and gold, preferably on a coordinated basis, as a standard of monetary value. Such an agreement would constitute an important step forward toward a monetary unit of value more equitable and stable in its purchasing and debt-paying power.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 22, 1934.

MONEY AND CREDIT

Calendar of Important Regulatory Documents, Including Acts of Congress, International Agreements, Presidential Proclamations and Executive Orders, Announcements, Regulations, and Instructions of the Secretary of the Treasury, Supreme Court Opinions. Feb. 27, 1932–Mar. 31, 1942. (Office of the Treasury Archivist, Apr. 18, 1942)

Document	Subject
Feb. 27, 1932: Federal Reserve Act amendment (72-44).	Extending credit facilities to member banks, and making Government securities eligible to secure Federal reserve notes until Mar. 3, 1933.
Feb. 3, 1933: Act to amend Federal Reserve Act amendment of Feb. 27, 1932 (72-326).	Extending credit facilities to member banks, and making Government securities eligible to secure Federal reserve notes until Mar. 3, 1934.

MONEY AND CREDIT—Continued

Document	Subject
Feb. 25, 1933: Act re national bank powers (72-58 Res.).	Authorizing the Comptroller of the Currency to exercise with respect to national banking association powers which State officials may have with respect to State banks, savings banks, and/or trust companies under State laws, for a 6-month period.
Mar. 6, 1933: Proclamation No. 2039.....	Declaring a bank holiday, Mar. 6-9, 1933, inclusive.
Order of the Secretary of the Treasury.	Authorizing the banking institution in the Canal Zone to perform its usual banking functions during the bank holiday.
Do.....	Authorizing banking institutions in the island of Guam to perform their usual banking functions during the bank holiday.
Do.....	Authorizing banking institutions in American Samoa to perform their usual banking functions during the bank holiday.
Do.....	Authorizing banking institutions in the Philippine Islands to perform their usual banking functions during the bank holiday.
Do.....	Authorizing banking institutions in the Virgin Islands to perform their usual banking functions during the bank holiday.
Emergency Banking Regulation No. 1.	Authorizing banking institutions to make change.
Emergency Banking Regulation No. 2.	Authorizing banking institutions to allow access to safety deposit boxes.
Emergency Banking Regulation No. 3.	Authorizing banking institutions to return items received after closing.
Emergency Banking Regulation No. 4.	Authorizing banking institutions to cash checks drawn on the Treasurer of the United States.
Emergency Banking Regulation No. 5.	Authorizing banking institutions to accept payments for obligations.
Emergency Banking Regulation No. 6.	Authorizing banking institutions to conduct operations to facilitate the delivery of foods (revoked by regulation No. 28 of Mar. 18, 1933).
Emergency Banking Regulation No. 7.	Authorizing banking institutions to create special trust accounts for the receipt of new deposits (amplified by regulation No. 15, Mar. 8, 1933).
Emergency Banking Instructions to Federal Reserve Banks—A.	Informing the banks of authority given the Treasurer of the United States to make payments in gold only under license, etc.
Emergency Banking Instructions to Federal Reserve Banks—B.	Authorizing the banks to carry on certain transactions affecting the gold settlement fund.
Emergency Banking Instructions to Federal Reserve Banks—C.	Authorizing the banks to purchase gold or gold certificates.
Mar. 7, 1933: Emergency Banking Regulation No. 8.	Authorizing banking institutions to complete settlement for checks on the books before Mar. 4, 1933.
Emergency Banking Regulation No. 9.	Authorizing banking institutions to deliver documents and securities held for safekeeping.

MONEY AND CREDIT—Continued

Document	Subject
Mar. 7, 1933—Continued. Emergency Banking Regulation No. 10.	Authorizing National or State banking institutions to exercise their usual functions to such extent as shall be necessary to meet the needs of the community.
Emergency Banking Regulation No. 11.	Authorizing banking institutions having branches in foreign countries or insular possessions to deposit collateral in the United States to secure advances.
Emergency Banking Regulation No. 12.	Authorizing the issuance of clearing-house certificates against sound assets of banking institutions.
Emergency Banking Regulation No. 13.	Authorizing banking institutions acting in a fiduciary capacity to transact such business (revoked by regulation No. 31, Mar. 30, 1933).
Emergency Banking Regulation No. 14.	Authorizing Federal Reserve banks to conduct fiscal agency functions for the United States.
Emergency Banking Instructions to Federal Reserve Banks—D.	Authorizing the banks to inform all banking institutions that the term "food or food products" in regulation No. 6 may be interpreted to include livestock on the way to slaughter.
Emergency Banking Instructions to Federal Reserve Banks—E.	Informing the banks that pawnbrokers or brokers making loans on collateral are to be considered banking institutions within the meaning of the term as used in the proclamation of Mar. 6, 1933.
Emergency Banking Instructions to Federal Reserve Banks—F.	Authorizing the banks to receive cash from collectors of public funds for deposit to the credit of the Treasurer of the United States.
Emergency Banking Instructions to Federal Reserve Banks—G.	Authorizing the banks to cooperate with their member banks to facilitate certain limited banking operations.
Emergency Banking Instructions to Federal Reserve Banks—H.	Authorizing the banks to handle checks and collection items subject to certain conditions.
Emergency Banking Instructions to Federal Reserve Banks—I.	Authorizing the banks to settle through the gold settlement fund with other Federal Reserve banks for all authorized transactions.
Emergency Banking Instructions to Federal Reserve Banks—J.	Authorizing the banks to continue their usual functions pertaining to the handling of collateral securing the deposit of the public moneys of the United States.
Mar. 8, 1933: Emergency Banking Regulation No. 15.	Extending authority granted under regulation No. 7 to include redeposits.
Emergency Banking Instructions to Federal Reserve Banks—K.	Authorizing the banks to conduct certain transactions with regard to foreign accounts.
Mar. 9, 1933: Proclamation No. 2040.....	Continuing in force the bank holiday proclamation of Mar. 6, 1933.
Order of the Secretary of the Treasury.	Authorizing banking institutions in the Territory of Hawaii to perform their usual banking functions during the bank holiday.
Emergency Banking Act of 1933 (73-1).	Providing relief in the existing national emergency in banking.

MONEY AND CREDIT—Continued

Document	Subject
Mar. 10, 1933: Executive Order No. 6073----- Emergency Banking Regulation No. 10 as amended.	Concerning the operation of banks. Extending regulation No. 10 to provide for cooperation between banks in different communities (revoked by regulation No. 28 of Mar. 18, 1933).
Emergency Banking Regulation No. 16.	Authorizing banking institutions to complete transactions in regard to Treasury bills for which payment was due on Mar. 6, 1933.
Emergency Banking Regulation No. 17.	Authorizing banking institutions to pay checks issued prior to Mar. 6, 1933.
Mar. 11, 1933: Emergency Banking Regulation No. 18.	Authorizing banking institutions to subscribe and pay for U. S. Government obligations offered by the Treasury.
Emergency Banking Regulation No. 19.	Authorizing banking institutions to permit the release or substitution of collateral, when collateral of equal value is received.
Emergency Banking Regulation No. 20.	Authorizing Federal reserve banks to resume their normal banking functions.
Emergency Banking Regulation No. 21.	Authorizing nonmember banks and banks not organized under the laws of the United States or under immediate supervision of State authority to resume their normal banking functions.
Emergency Banking Regulation No. 22.	Authorizing Federal land banks, Federal intermediate credit banks, joint stock land banks, Federal home loan banks, regional agricultural credit corporations, and the Reconstruction Finance Corporation to resume their normal banking functions.
Mar. 12, 1933: Emergency Banking Regulation No. 23.	Prohibiting withdrawals from any banking institution for purposes of hoarding.
Emergency Banking Regulation No. 24.	Authorizing banking institutions to cash official drafts drawn on the Secretary of State.
Regulations of the New York Federal Reserve Bank (circular No. 1176).	Governing foreign exchange transactions under the Executive order of Mar. 10, 1933.
Mar. 13, 1933: Emergency Banking Regulation No. 22 (amendment).	Adding to the list of organizations that may resume their normal banking functions, corporations organized under section 25 (a) of the Federal Reserve Act.
Emergency Banking Regulation No. 25.	Authorizing Federal reserve banks to deliver gold required in trade, profession, or art (revoked by regulations relating to licensing the purchase and export of gold, Apr. 29, 1933).
Emergency Banking Regulation No. 26.	Authorizing banking institutions to issue drafts transferring credits.
Mar. 18, 1933: Executive Order No. 6080-----	Concerning appointment of conservators for State banks members of Federal reserve system.

MONEY AND CREDIT—Continued

Document	Subject
Mar. 18, 1933—Continued. Emergency Banking Regulation No. 27.	Authorizing unlicensed member banks to permit withdrawals (not exceeding 5 percent).
Emergency Banking Regulation No. 28.	Rescinding regulations No. 6 and No. 10, as amended.
Emergency Banking Instructions to Federal Reserve Banks—L.	Informing the banks that deposits of the kinds described in regulations No. 7 and No. 15, are not subject to the provisions of regulations No. 23.
Mar. 21, 1933: Emergency Banking Regulation No. 29.	Authorizing unlicensed member banks to rediscount or pledge renewals of notes.
Mar. 24, 1933: Act to amend Emer- gency Banking Act (73-4).	Providing for direct loans by Federal Reserve banks to State banks and trust companies in certain cases, and for other purposes.
Mar. 28, 1933: Emergency Banking Regulation No. 30.	Authorizing member banks in the hands of conservators or State officials to perform limited banking functions.
Mar. 30, 1933: Emergency Banking Regulation No. 31.	Authorizing banking institutions acting in a fiduciary capacity to transact such business, with certain provisions (superseding regulation No. 13, Mar. 7, 1933, which is hereby revoked).
Emergency Banking Regulation No. 32.	Authorizing unlicensed member banks to permit withdrawals of deposits under certain conditions.
Apr. 5, 1933: Executive Order No. 6102.	Forbidding the hoarding of gold coin, gold bullion and gold certificates (revoked by Executive order of Aug. 28, 1933).
Apr. 20, 1933: Executive Order No. 6111.	Relating to foreign exchange and the earmarking and export of gold coin or bullion or currency (revoked by Executive order of Aug. 28, 1933).
Apr. 29, 1933: Gold Regulations issued under the Executive Orders of Mar. 10, Apr. 5, and Apr. 20, 1933.	Relating to licensing the purchase and export of gold (revokes emergency banking regulation No. 25, Mar. 13, 1933) (revoked by gold regulations of Sept. 12, 1933, pt. I).
May 12, 1933: Thomas amendment (inflation act) (73-10, title III).	Providing for financing—and exercising power conferred by sec. 8 of article I of the Constitution: to coin money and to coin money and to regulate the value thereof.
June 5, 1933: Gold Clause Resolution (73-10 Res.).	Assuring uniform value to the coins and currencies of the United States.
June 26, 1933: Instructions from the Acting Secretary of the Treasury to all Federal Reserve banks.	Concerning gold for use in industry, profession, or art.
July 22, 1933: Agreement entered into between delegates of India, China, and Spain, as users of silver, and Australia, Canada, the United States, Mexico, and Peru, as producers of silver, at the Monetary and Eco- nomic Conference in London.	Concerning the mitigation of fluctuations in the price of silver.
July 26, 1933: Allotment agreement signed by the United States in con- nection with the silver agreement of July 22, 1933.	Concerning the amount of silver to be withdrawn from the market by the United States.

MONEY AND CREDIT—Continued

Document	Subject
Aug. 28, 1933: Executive Order No. 6260.	Relating to the hoarding, export, and earmarking of gold coin, bullion, or currency and to transactions in foreign exchange (revokes Executive orders of Apr. 5, and Apr. 20, 1933).
Aug. 29, 1933: Executive Order No. 6261.	Relating to the sale and export of gold recovered from natural deposits (revoked by Executive order of Oct. 25, 1933).
Aug. 31, 1933: Temporary gold regulations issued under the Executive orders of Aug. 28 and 29, 1933 (articles 1-10).	Relating to general provisions and the filing of returns (revoked by gold regulations of Sept. 12, 1933).
Sept. 1, 1933: Temporary gold regulations issued under the Executive orders of Aug. 28 and Aug. 29, 1933 (articles 11-15).	Relating to the acquisition of gold (revoked by gold regulations of Sept. 12, 1933).
Sept. 5, 1933: Temporary gold regulations issued under the Executive orders of Aug. 28 and 29, 1933 (articles 16-28).	Relating to the holding and export of gold (revoked by gold regulations of Sept. 12, 1933) (revokes gold regulations of Apr. 29, 1933).
Temporary gold regulations issued under the Executive orders of Aug. 28 and 29, 1933 (articles 29-35).	Relating to the consignment for sale of gold recovered from natural deposits in the United States (revoked by gold regulations of Sept. 12, 1933).
Sept. 12, 1933: Gold regulations issued under the Executive orders of Aug. 28 and 29, 1933.	Relating to transactions in gold (pt. I revokes gold regulations of Apr. 29, 1933) (pt. III revokes temporary gold regulations of Aug. 31, Sept. 1 and 5, 1933) (pts. II and III revoked by gold regulations of Oct. 25, 1933).
Oct. 25, 1933: Executive Order No. 6359.	Relating to gold recovered from natural deposits (revokes Executive order of Aug. 29, 1933).
Gold regulations issued under the Executive order of Oct. 25, 1933, amending pts. II and III of the gold regulations of Sept. 12, 1933.	Relating to gold recovered from natural deposits (revokes gold regulations of Sept. 12, 1933, pts. II and III).
Dec. 21, 1933: Proclamation No. 2067.	Providing for the purchase of newly-mined silver by the coinage mints for coinage into standard silver dollars.
Dec. 28, 1933: Order of the Secretary of the Treasury.	Requiring the delivery of gold coin, gold bullion, and gold certificates to the Treasurer of the United States.
Dec. 30, 1933: Proclamation No. 2070.	Amending Proclamations of Mar. 6 and Mar. 9, 1933, and the Executive order of Mar. 10, 1933, and all orders and regulations pursuant thereto.
Silver regulations issued under the proclamation of Dec. 31, 1933.	Relating to newly mined silver (revoked by the newly mined domestic silver regulations of Apr. 16, 1935).
Jan. 11, 1934: Order of the Secretary of the Treasury.	Amending the order of Dec. 28, 1933, requiring the delivery of gold coin, gold bullion, and gold certificates to the Treasurer of the United States.
Jan. 12, 1934: Executive Order No. 6556.	Amending Executive Order No. 6260 of Aug. 28, 1933, relating to the hoarding, export, and earmarking of gold coin, bullion, or currency and to transactions in foreign exchange.

MONEY AND CREDIT—Continued

Document	Subject
Jan. 15, 1934: Executive Order No. 6558.	Relating to receipt of gold on consignment by the mints and assay offices.
Executive Order No. 6559.	Amending the Executive order of Mar. 10, 1933, and the proclamation of Dec. 30, 1933, concerning the operation of banks.
Executive Order No. 6560.	Regulating transactions in foreign exchange, transfers of credit, and the export of coin and currency.
Order of the Secretary of the Treasury.	Supplementing the order of Dec. 28, 1933, requiring the delivery of gold coin, gold bullion, and gold certificates to the Treasurer of the United States.
Announcement of the Secretary of the Treasury (Press Service No. 1-13).	That, beginning Jan. 16, 1934, the New York Federal Reserve Bank, instead of the Reconstruction Finance Corporation, will purchase all domestic newly mined gold, and the Secretary of the Treasury will purchase from the bank equivalent amounts of gold coin.
Jan. 17, 1934: Instructions from the Secretary of the Treasury to the Treasurer of the United States, the mints and assay offices, and the fiscal agents of the United States.	Concerning wrongfully withheld gold coin, gold bullion, and gold certificates delivered after Jan. 17, 1934.
Jan. 30, 1934: Gold Reserve Act (73-87).	Providing for the protection of the currency system of the United States, for the better use of the monetary gold stock of the United States, and for other purposes.
Provisional gold regulations issued under the Gold Reserve Act of 1934.	Relating to transactions in gold.
Jan. 31, 1934: Proclamation No. 2072.	Regarding the revaluation of the gold dollar.
Amendment to provisional gold regulations of Jan. 30, 1934, issued under the Gold Reserve Act of 1934.	Relating to transactions in gold.
Provisional gold regulations of Jan. 30-31, 1934, issued under the Gold Reserve Act of 1934.	Do.
Announcement of the Secretary of the Treasury.	That, beginning Feb. 1, 1934, he will buy imported fine gold bars through the New York Federal Reserve bank, and other gold, foreign or domestic, through mints and assay offices.
Announcement of the Secretary of the Treasury (Press Service No. 1-24).	That he will sell gold for export to foreign central banks when our exchange rates reach gold export point.
Feb. 7, 1934: Announcement of the Secretary of the Treasury.	That, beginning Feb. 7, 1934, he will buy imported fine gold bars and certain gold held in custody by Federal Reserve banks, through the New York Federal Reserve bank; and other gold, foreign or domestic, through mints and assay offices.
Feb. 20, 1934: General ruling No. 1, amplifying sec. 35 (d) of the provisional gold regulations of Jan. 30-31, 1934.	Authorizing the mints and assay offices to purchase under certain conditions gold which was refined from imported gold-bearing materials.

MONEY AND CREDIT—Continued

Document	Subject
Feb. 21, 1934: Announcement of the Secretary of the Treasury (memorandum for the press).	That the Governor of the Federal Reserve bank of New York and the superintendents of the mints and assay offices have been advised that the price to be paid for gold is that prevailing on the day of the deposit.
Mar. 2, 1934: General ruling No. 2., amplifying sec. 35 (d) of the provisional gold regulations of Jan. 30-31, 1934.	Authorizing the mints and assay offices to purchase under certain conditions gold imported before Jan. 31, 1934, and held in customs custody.
Mar. 6, 1934: Act to amend Federal Reserve Act amendment of Feb. 27, 1932 (73-115).	Extending credit facilities to member banks, and making Government securities eligible to secure Federal Reserve notes, until Mar. 3, 1935, and thereafter as the President may prescribe, not exceeding 2 years.
Mar. 8, 1934: Amendment to provisional gold regulations of Jan. 30-31, 1934.	Extending the time to May 1, 1934, during which the transitory provisions (secs. 45 and 46) shall be effective.
Apr. 20, 1934: Amendment to provisional gold regulations of Jan. 30-31, 1934.	Extending the time to June 1, 1934, during which the transitory provisions (secs. 45 and 46) shall be effective.
May 8, 1934: Order of the Commissioner of Customs, approved by the Secretary (T. D. 47056).	Requiring consular invoices for all importations of gold exceeding \$100 in value, with certain exceptions.
June 10, 1934: Silver Purchase Act (73-438)-----	Authorizing the Secretary of the Treasury to purchase silver, issue silver certificates, and for other purposes.
Regulations issued under title VIII, schedule A, subdivision 10 of the Revenue Act of 1926, as added by sec. 8, of the Silver Purchase Act of 1934 (Bureau of Internal Revenue No. 85).	Relating to tax on transfers of interest in silver bullion.
June 22, 1934: Treasury announcement (memorandum for the press).	Explaining the basis on which or the ounceage of silver against which silver certificates may be issued, on the one hand, and the dollar amount of silver certificates to be issued, on the other hand.
June 28, 1934: Order of the Secretary of the Treasury.	Relating to silver.
July 5, 1934: Regulations issued under the order of the Secretary of the Treasury, approved by the President, June 28, 1934.	Governing exportation of silver (revoked by silver regulations of Aug. 17, 1934).
July 10, 1934: Amendment to regulation No. 85, Bureau of Internal Revenue (T. D. 4445).	Relating to tax on transfers of interest in silver bullion.
July 18, 1934: Amendment to regulation No. 85, Bureau of Internal Revenue (T. D. 4450).	Do.
Aug. 1, 1934: Order of the Commissioner of Customs, approved by the Secretary (T. D. 47203, amending T. D. 47056).	Requiring consular invoices for all importations of gold exceeding \$100 in value, with certain exceptions.
Aug. 8, 1934: Order of the Commissioner of Customs, approved by the Secretary (T. D. 47214).	Do.
Aug. 9, 1934: Proclamation No. 2092-----	Providing for the delivery of silver to the mint for coinage or addition to the monetary stocks.

MONEY AND CREDIT—Continued

Document	Subject
Aug. 9, 1934—Continued. Executive Order No. 6814-----	Requiring the delivery of silver to the United States mints.
Aug. 13, 1934: Release by the Secretary of the Treasury (Press Service No. 2-58).	Giving the text of orders from the President concerning the issue of silver certificates.
Aug. 17, 1934: Silver regulations issued under the Silver Purchase Act of 1934, the proclamation of Aug. 9, 1934, the Executive order of Aug. 9, 1934, and the order of the Secretary of the Treasury of June 28, 1934.	Regulating transactions in silver (revokes silver regulations of July 5, 1934).
Aug. 27, 1934: Amendment to regulations No. 85, Bureau of Internal Revenue (T. D. 4465).	Relating to tax on transfers of interest in silver bullion.
Aug. 31, 1934: General ruling No. 3, amplifying sec. 35 (d) of the provisional gold regulations of Jan. 30-31, 1934.	Authorizing the mints and assay offices to purchase under certain conditions gold contained in deposits of silver.
Sept. 1, 1934: Amendment to silver regulations of Aug. 17, 1934.	Relating to instruments of transfer, and mixtures of "decree" and "non-decree" silver.
Sept. 12, 1934: Instruction of the Secretary of the Treasury.	Providing for the transfer of title to the United States of newly mined silver in process, through instruments of transfer.
Oct. 22, 1934: Amendment to provisional gold regulations of Jan. 30-31, 1934.	Relating to gold amalgam.
Nov. 2, 1934: Executive Order No. 6895A-----	Amending sec. 2A of Executive Order No. 6814 of Aug. 9, 1934, regarding silver not required to be delivered.
Amendment to silver regulations of Aug. 17, 1934.	Regarding silver not required to be delivered.
Amendment to Regulations No. 85, Bureau of Internal Revenue (T. D. 4491).	Relating to tax on transfers of interest in silver bullion.
Nov. 12, 1934: Regulations-----	Relating to transactions in foreign exchange, transfers of credit, and the export of coin and currency.
Nov. 13, 1934: Regulations of the New York Federal Reserve bank (Circular No. 1474).	Governing foreign exchange transactions under the Executive order of Jan. 15, 1934 (superseding Circular No. 1176 of Mar. 12, 1933).
Nov. 23, 1934: Regulations of the New York Federal Reserve bank (Circular No. 1480).	Relating to foreign exchange reports (referring to circular No. 1474 of Nov. 13, 1934).
Nov. 26, 1934: General Ruling No. 4 amplifying sec. 35 (a) of the provisional gold regulations of Jan. 30-31, 1934.	Authorizing the mints and assay offices to purchase under certain conditions gold filings, clippings, pieces, etc., from certain persons engaged in industry, profession, or art.
Dec. 1, 1934: Instructions from the Secretary of the Treasury to Director of the Mint.	Regarding eligibility of silver contained in other materials.
Dec. 31, 1934: Provisional gold regulations of Jan. 30-31, 1934, issued under the Gold Reserve Act of 1934, as amended.	Regulating transactions in gold.
General Ruling No. 5, amplifying sec. 35 (d) of the provisional gold regulations of Jan. 30-31, 1934.	Authorizing the mints and assay offices to purchase under certain conditions gold refined from sweeps purchased from a United States mint or assay office.

MONEY AND CREDIT—Continued

Document	Subject
Feb. 14, 1935: Amendment to silver regulations of Aug. 17, 1934. Proclamation No. 2117.....	Regarding silver salts. Making Government securities eligible to secure Federal Reserve notes until Mar. 3, 1937.
Feb. 18, 1935: Supreme Court Opinions.	Concerning the validity of the gold clause resolution of June 5, 1933, with respect to the gold clause in obligations.
Apr. 10, 1935: Proclamation No. 2124..	Modifying the proclamation of Dec. 21, 1933, by providing for the deduction of 45 percent instead of 50 percent for seigniorage and services performed by the Government.
Apr. 16, 1935: Newly mined domestic silver regulations issued under the proclamation of Dec. 21, 1933, as amended by the proclamations of Aug. 9, 1934, and Apr. 10, 1935.	Relating to newly mined silver (revokes silver regulations of Dec. 30, 1933) (revoked by silver regulations of May 15, 1935).
Apr. 24, 1935: Proclamation No. 2125..	Further modifying the proclamation of Dec. 21, 1933, by providing for the deduction of 40 percent instead of 50 percent for seigniorage and services performed by the Government.
May 15, 1935: Newly mined domestic silver regulations issued under the Proclamation of Dec. 21, 1933, as amended by the proclamations of Aug. 9, 1934, and Apr. 10 and Apr. 24, 1935.	Relating to newly-mined silver (revokes newly mined domestic silver regulations of Apr. 16, 1935) (revoked by newly mined domestic silver regulations of Jan. 10, 1938).
May 20, 1935: Order of the Secretary of the Treasury, amending the order of June 28, 1934.	Relating to silver.
June 4, 1935: Amendment to the silver regulations of Aug. 17, 1934, as amended. Instructions of the Acting Commissioner of Customs, approved by the Acting Secretary of the Treasury (Bureau of Customs circular letter No. 1390).	Amending secs. 2 and 103-105, and adding secs. 110-116. Relating to the importation and transportation of foreign silver coins (amended by Bureau of Customs circular letters Nos. 1473 and 1524.)
June 5, 1935: Silver regulations of Aug. 17, 1934, as amended.	Regulating transactions in silver.
Aug. 15, 1935: Announcement of the Secretary of the Treasury (Press Service No. 5-59).	Concerning the production of a new \$1 silver certificate with changes both in the method of printing signatures and in design.
Aug. 23, 1935: Banking Act of 1935 (74-305)....	Providing for the sound, effective and, uninterrupted operation of the banking system, and for other purposes.
August 26, 1935: Amendment to provisional gold regulations of Jan. 30-31, 1934. Provisional gold regulations of Jan. 30-31, 1934, issued under the Gold Reserve Act of 1934, as amended.	Amending secs. 28-35. Regulating transactions in gold.
Aug. 27, 1935: "Withdrawal of the Right to Sue" resolution (74-63 res.).	Authorizing exchange of coins and currencies and immediate payment of gold-clause securities by the United States; withdrawing the right to sue the United States thereon; limiting the use of certain appropriations; and for other purposes.

MONEY AND CREDIT—Continued

Document	Subject
Aug. 28, 1935: Circular-letter (New York Federal Reserve Bank).	Referring to circular No. 1474, Nov. 13, 1934, re reports concerning transactions in foreign exchange.
Sept. 10, 1935: Regulations (Department circular No. 552). Regulations (Department circular No. 553).	Governing the immediate payment of gold-clause securities. Governing the exchange of coins and currencies of the United States.
Nov. 14, 1935: Instructions of the Commissioner of Customs approved by the Acting Secretary of the Treasury (Bureau of Customs circular letter No. 1473).	Relating to the importation and transportation of foreign silver coins (amended by Bureau of Customs circular letter No. 1524).
Nov. 20, 1935: Amendment to regulations No. 85, Bureau of Internal Revenue (T. D. 4606).	Relating to tax on transfers of interest in silver bullion.
Dec. 12, 1935: Announcement of the Secretary (Press Service No. 6-42).	Concerning the date on which the new type \$1 silver certificates will be made available to the public.
Dec. 24, 1935: Amendment to provisional gold regulations issued under the Gold Reserve Act of 1934.	Adding secs. 8a, 10a, and amending secs. 16, 18, 21, 26, 27, 36, 43, 44.
Jan. 1, 1936: Provisional gold regulations of Jan. 30-31, 1934, issued under the Gold Reserve Act of 1934, as amended.	Regulating transactions in gold.
Jan. 10, 1936: Proclamation No. 2153.	Extending powers conferred on the President by sec. 10 of the Gold Reserve Act of 1934, and sec. 43 of the act approved May 12, 1933.
Mar. 6, 1936: Instructions of the Commissioner of Customs approved by the Acting Secretary of the Treasury (Bureau of Customs circular letter No. 1524).	Relating to the importation and transportation of foreign silver coins.
May 18, 1936: Announcement of the Secretary of the Treasury (Press Service No. 7-39).	That the United States would make purchases from the Central Bank of China of substantial amounts of silver, and would make available to the Central Bank of China dollar exchange for currency stabilization purposes.
Sept. 25, 1936: Announcement of the Secretary of the Treasury (Press Service No. 8-53).	That the Governments of the United States, Great Britain, and France have entered into a tripartite declaration to maintain the greatest possible equilibrium in the system of international exchange and to avoid the creation of any disturbance of that system by monetary action.
Oct. 8, 1936: Order of the Commissioner of Customs, approved by the Secretary (T. D. 48574, amending T. D. 47214).	Dispensing with consular invoices for United States silver coins.
Oct. 13, 1936: Announcement of the Secretary of the Treasury (Press Service No. 8-66).	That he will sell gold for immediate export to, or earmark for the account of, the exchange equalization or stabilization funds of certain countries under certain conditions.
Announcement of the Secretary of the Treasury (Press Service No. 8-67).	That Great Britain and France are complying with the conditions specified in the previous announcement of today.

MONEY AND CREDIT—Continued

Document	Subject
Nov. 24, 1936: Announcement of the Secretary of the Treasury (Press Service No. 8-93).	That the Governments of Belgium, the Netherlands, and Switzerland have made declarations of adherence to the principles of the tripartite declaration of Sept. 25, 1936.
Announcement of the Secretary of the Treasury, supplementing the announcement of Oct. 13, 1936, and withdrawing the statement of Jan. 31, 1934 (Press Service No. 8-94).	That the Secretary will sell gold for immediate export to, or earmark for the account of, the treasuries of those countries offering to sell gold to the United States.
Announcement of the Secretary of the Treasury (Press Service No. 8-95).	That Belgium, the Netherlands, and Switzerland are complying with the conditions specified in the statement of Oct. 13, 1936, as supplemented by the previous statement of today.
Dec. 22, 1936: Announcement of the Secretary of the Treasury (Press Service No. 9-20).	That the Secretary will take appropriate action with respect to net additional acquisitions and releases of gold by the Treasury Department through the purchase and sale or redemption of additional public debt obligations.
Jan. 23, 1937: Act to amend the Gold Reserve Act (75-1).	Extending the time within which the President may exercise emergency powers relating to the stabilization fund and alteration of the weight of the dollar.
Mar. 1, 1937: Act to amend Federal Reserve Act, as amended (75-9).	Extending credit facilities to member banks, and making Government securities eligible to secure Federal Reserve notes until June 30, 1939.
Mar. 11, 1937: Instructions from the Secretary of the Treasury to collectors of customs.	Regarding requirements for entry into the United States of gold exported from Mexico.
June 1, 1937: Provisional gold regulations of January 30-31, 1934, issued under the Gold Reserve Act of 1934, as amended.	Regulating transactions in gold.
July 9, 1937: Announcement of the Secretary, jointly with the Minister of Finance of China (Press Service No. 10-71).	That the Chinese Government will purchase from the United States Treasury a substantial amount of gold; that the U. S. Treasury will purchase from the Chinese Government an additional amount of silver; that the U. S. Treasury will broaden the scope of arrangements enabling the Central Bank of China to obtain dollar exchange for currency stabilization purposes.
July 16, 1937: Announcement of the Secretary of the Treasury, jointly with the Minister of Finance of Brazil (Press Service No. 10-78).	That the United States will sell gold to Brazil and that the United States will make dollar exchange available to Brazil for the purpose of promoting exchange equilibrium.
Sept. 12, 1937: Statement by the Federal Open Market Committee.	That the Secretary of the Treasury has released approximately \$300,000,000 of gold from the Treasury's inactive account.
Sept. 14, 1937: Memorandum for the President from the Secretary of the Treasury.	Regarding the receipt of newly mined domestic silver under the proclamation of Dec. 21, 1933, as modified, after midnight of Dec. 31, 1937.

MONEY AND CREDIT—Continued

Document	Subject
Oct. 25, 1937: Regulations (Department Circular No. 55 revised).	Governing the exchange of paper currency and coin.
Dec. 30, 1937: Proclamation No. 2268.	Further modifying the proclamation of Dec. 21, 1933, as modified, by providing that it shall remain in force and effect until Dec. 31, 1938, and by providing for the deduction of 50 percent instead of 40 percent for seigniorage and services performed by the Government.
Jan. 10, 1938: Newly mined domestic silver regulations issued under the proclamation of Dec. 30, 1937.	Relating to newly mined silver (revokes newly mined domestic silver regulations of May 15, 1935).
Feb. 14, 1938: Announcement of the Secretary of the Treasury (Press Service No. 12-51).	That gold acquired by the mints and assay offices after Jan. 1, 1938, will be included in the inactive gold account only to the extent that such acquisitions in any one quarter exceed \$100,000,000.
Mar. 28, 1938: Announcement of the Secretary of the Treasury (Press Service No. 12-79).	That the Treasury will defer continuation of the monthly silver purchase arrangements with Mexico until further notice.
Apr. 19, 1938: Announcement of the Secretary of the Treasury (Press Service No. 13-1).	That the inactive gold account has been discontinued.
Apr. 28, 1938: Proclamation No. 2282.	Revoking Proclamation No. 2092 of Aug. 9, 1934, except as to the provisions thereof relating to settlement for silver received by United States coinage mints pursuant to proclamation No. 2067 of Dec. 21, 1933.
Executive Order No. 7877.	Revoking Executive Order No. 6814, dated Aug. 9, 1934, and Executive Order No. 6895-A, dated Nov. 2, 1934, relating to silver.
Order of the Secretary of the Treasury.	Revoking the orders of the Secretary of the Treasury of June 28, 1934, and May 20, 1935, relating to silver, and the silver regulations of Aug. 17, 1934, as amended.
Order of the Commissioner of Customs, approved by the Secretary (T. D. 49535).	Revoking T. D. 47214 requiring consular invoices for importations of silver, with certain exceptions, as amended by T. D. 48574.
May 25, 1938: Amendment to regulations No. 85, Bureau of Internal Revenue (T. D. 4805).	Relating to tax on transfers of interest in silver bullion.
July 16, 1938: Memorandum for the President from the Secretary of the Treasury.	Regarding the receipt of newly mined domestic silver under the proclamation of Dec. 21, 1933, as modified, after midnight of Dec. 31, 1938.
Dec. 19, 1938: Announcement of the Secretary of the Treasury (Press Service No. 15-82).	That the arrangement announced on July 9, 1937, under which the Bank of China has been enabled to obtain dollar exchange for stabilization purposes has been extended for a further period beyond Dec. 31, 1938.
Dec. 31, 1938: Proclamation No. 2317.	Further modifying the proclamation of Dec. 21, 1933, as modified, by providing that it shall remain in force and effect until June 30, 1939, and providing that silver to be eligible must be delivered to the mint by June 30, 1939.

MONEY AND CREDIT—Continued

Document	Subject
Jan. 16, 1939: Newly mined domestic silver regulations issued under the proclamation of Dec. 31, 1938.	Relating to newly mined silver (revokes newly mined domestic silver regulations of Jan. 10, 1938).
Feb. 10, 1939: Internal Revenue Code, sec. 1805 (76-1).	Levying a tax on transfers of interest in silver bullion.
Feb. 11, 1939: Prescribing regulations under the Internal Revenue Code (T. D. 4887).	Making regulation No. 85, concerning tax on transfers of interest in silver bullion, applicable to sec. 1805 of the Internal Revenue Code.
Apr. 5, 1939: Act to regulate banking in the District of Columbia (76-20).	Relating to banking, banks, and trust companies in the District of Columbia, and for other purposes.
June 20, 1939: Act to amend the Federal Reserve Act, as amended (76-135).	Extending to June 16, 1942, the period within which certain loans to executive officers of member banks of the Federal Reserve System may be renewed or extended.
June 30, 1939: Act to amend the Federal Reserve Act, as amended (76-162).	Extending to June 30, 1941, the period during which Government securities are eligible to secure Federal Reserve notes.
July 6, 1939: Act to amend Gold Reserve Act of 1934, as amended (76-165).	Extending the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised.
Newly mined domestic silver regulations issued under the act of July 6, 1939.	Relating to receipt and coinage by United States coinage mints of silver mined pursuant to the provisions of sec. 4 of the act of July 6, 1939.
July 18, 1939: Act to amend "An act to establish a code of law for the District of Columbia" and of any act or acts amendatory thereof (76-193).	Relating to foreign building and loan associations doing business in the District of Columbia.
July 25, 1939: Proclamation No. 2342	Further modifying the proclamation of Dec. 21, 1933, as modified, providing that it shall remain in force and effect until Dec. 31, 1939, with respect to silver mined subsequently to Dec. 21, 1933, and on or before July 1, 1939.
Amendment to newly mined domestic silver regulations of Jan. 16, 1939.	Amending secs. 1, 2, 20 (c), and 24.
July 26, 1939: An act to amend the act approved June 25, 1910, authorizing establishment of the Postal Savings System (76-229).	Amending sec. 6, as amended.
Aug. 5, 1939: Act relating to commemorative coins (76-278).	Prohibiting the issuance and coinage of certain commemorative coins and for other purposes.
Act relating to building associations in the District of Columbia (76-282).	Providing for the abatement of personal taxes from insolvent building associations in the District of Columbia.
Sept. 11, 1939: Announcement of the Secretary of the Treasury (Press Service No. 18-72).	That the French Government as an emergency measure has set up a system of exchange control in France and French territories and that the tripartite declaration continues in effect.

MONEY AND CREDIT—Continued

Document	Subject
Apr. 16, 1940: Announcement of the Treasury Department (Press Service No. 20-75).	That the "official" rate for the British pound sterling as certified to the Treasury Department by the New York Federal Reserve Bank is to be used in the collection of estimated duties, appraisement of merchandise, and the final liquidation of duties wherever the conversion of British pounds sterling into United States dollars is necessary for such purposes.
May 7, 1940: Resolution to amend sec. 5 of the Trading with the Enemy Act, as amended (76-69 res.).	Providing for the regulation of foreign exchange transactions, etc.
June 11, 1940: Act to amend R. S. 5136, as amended (76-583).	To authorize charitable contributions by national banking associations.
July 19, 1940: Treasury announcement (Press Service No. 21-56).	That Great Britain has resorted to exchange control and has concluded arrangements between London and New York for a system of registered sterling accounts, which should tend toward stabilizing the sterling rate and protect the American market.
Dec. 27, 1940: Statement of the Secretary of the Treasury and the representatives from Argentina (Press Service No. 23-5).	That an exchange stabilization agreement between the United States and Argentina has been completed.
Apr. 7, 1941: Act to amend the Federal Reserve Act, as amended (77-31).	Relating to foreign accounts in Federal Reserve banks and insured banks.
Apr. 17, 1941: Treasury announcement (Press Service No. 24-63).	Announcement of the purchase of \$132,000,000 of gold in South Africa from the British Treasury by the U. S. Treasury stabilization fund.
Apr. 25, 1941: Statement of the Secretary of the Treasury and the representative from the Republic of China (Press Service No. 24-77).	That exchange stabilization agreements between the United States and China and between Great Britain and China have been signed.
June 21, 1941: Act to amend R. S. 3528, as amended (77-117).	Increasing the amount authorized to be used in the purchase of metal for minor coins of the United States.
June 30, 1941: Act to amend the Federal Reserve Act, as amended (77-141).	Extending the time during which direct obligations of the United States may be used as collateral security for Federal Reserve notes.
Act to amend the Gold Reserve Act of 1934, as amended (77-142).	Extending the time during which the powers relating to the stabilization fund and alteration of the weight of the dollar may be authorized.
Nov. 19, 1941: Statement of the Secretary of the Treasury and the Mexican Secretary of the Treasury (Press Service No. 28-56).	That an exchange stabilization agreement and a silver purchase agreement between the United States and Mexico have been signed.
Dec. 18, 1941: First War Powers Act, 1941, Title III (77-354).	Amending sec. 5 of the Trading with the Enemy Act, as amended, providing for the regulation of foreign exchange transactions, etc.
Jan. 6, 1942: Announcement of the Secretary of the Treasury (Press Service No. 29-43).	That the Treasury has purchased \$20,000,000 of gold from the Union of Soviet Socialist Republics.
Feb. 27, 1942: Treasury announcement (Press Service No. 30-50).	That the Secretary and the representatives from Ecuador have signed an agreement for exchange stabilization.
Mar. 27, 1942: Second War Powers Act, 1942, Title XII (77-507).	Relating to the coinage of 5-cent pieces.

The CHAIRMAN: Further, Senator Hayden, of Arizona, has submitted some data for the consideration of the committee. This request will be given due consideration, and if the committee sees fit at a later time, we will include some of these data, if not all, in the permanent record.

[The matter referred to above follows:]

UNITED STATES SENATE,
COMMITTEE ON APPROPRIATIONS,
May 5, 1942.

Hon. ELMER THOMAS,
Chairman, Senate Special Silver Committee,
Washington, D. C.

MY DEAR SENATOR THOMAS: I deeply regret that the work of the Senate Committee on Appropriations will prevent me from attending the meeting of the Senate Special Silver Committee scheduled to be held this morning at 10:30, in room 424 of the Senate Office Building, at which time the effect of preference rating order P-56 in relation to the continued operation of our western mines will be discussed.

However, I shall be greatly obliged if you will be good enough to allow me to present herewith for inclusion in the record of this hearing before your committee the attached statement prepared by Mr. Charles F. Willis, State Secretary of the Arizona Small Mine Operators Association, 528 Title and Trust Building, Phoenix, Ariz., in which there is set forth in complete detail the reasons why the issuance of this order by the War Production Board will be detrimental not only to our western mining industry but to the entire war effort of the United States.

Yours very sincerely,

CARL HAYDEN,
United States Senator from Arizona.

MARCH 4, 1942.

Senator CARL HAYDEN,
Senate Office Building,
Washington, D. C.

DEAR CARL: Newspaper releases this morning stated that the War Production Board had cracked down upon gold and silver mining by denying priorities and taking back serial numbers on gold and silver mines where the gold and silver was 30 percent or more of the dollar value of the ore.

This creates a very serious situation in Arizona and one that is in many ways ridiculous. It seems very ridiculous that you may have an ore that has large quantities of copper, lead, and zinc and because there is an extra value on account of the gold and silver content you cannot get machinery and equipment. That, however, is not the most serious Arizona situation, although some mines will be harmed by it, as there are many mines producing base metals which are sweetened by the gold and silver values which make possible the base metal production.

The serious situation in Arizona, however, is that copper smelters absolutely require siliceous or lime-fluxing ores. These ores are the gold and silver ores. They must have them or they cannot produce copper. The big mines must have a sufficient quantity of silica and lime to make a metallurgical mix and therefore the smelters have to buy the flux. It costs just as much money to mine silica or lime having no value, but which uses just as much equipment, and if the smelters can get fluxing ores which have a value they thereby create an industry.

In 1941 the small mines in Arizona shipped 110,361 tons of ore to copper smelters and of this 93,374 tons, or 84.6 percent, of the total consisted of fluxing ores which are ruled out of the priorities by this War Production Board order. Shipments of smelting ores and concentrates, which were purchased by the smelters primarily for their base-metal content amounted to only 16,987 tons, or 15.4 percent of the total. The 93,374 tons of Arizona fluxing ores, for which machinery and equipment no longer can be obtained, contained gold with a market value of \$413,525, silver with a value of \$376,510, and copper with a value of \$272,762.

You can appreciate what this means. The copper mines have been combing the State for fluxing ores which have a metal content, and they must have them or the production of copper will have to be curtailed, or the price increased to cover the cost of buying fluxes without value.

We have not had the opportunity nor the facilities for fully analyzing the State, but from the above you can see that the setting of an arbitrary 30 percent of the dollar value is going to do a great deal of harm, not only to the State, but to the base-metal production.

While we hate to see any mines shut down, as we believe that we are going to need gold and silver very badly in the after-the-war adjustment, we do think that if Washington and authorities believe that gold and silver should be eliminated they should confine it to those producing gold from cyanide plants and allow all who ship to the smelters to continue operations. Even shutting down those with cyanide plants would create a great deal of economic distress in certain parts of the State, and the quantity of materials which they consume is inconsequential in the total picture.

I am trying to get together some additional data to send you, but, inasmuch as this news broke today, I thought we better pass along the above to you just as quickly as possible to see what you can do to help in the situation.

With kindest personal regards, I am,

Yours very truly,

CHARLES F. WILLIS,
State Secretary, Arizona Small Mine Operators Association.

MARCH 4, 1942.

STATEMENT OF CHARLES F. WILLIS, STATE SECRETARY, ARIZONA SMALL MINE OPERATORS ASSOCIATION; CHAIRMAN, BOARD OF GOVERNORS, ARIZONA DEPARTMENT OF MINERAL RESOURCES

The War Production Board's crackdown on gold and silver mines by curtailing the priority assistance available to them in purchasing essential supplies and equipment for the maintenance of their operations is a serious blow to small mine operators in Arizona and to the mining industry as a whole.

The Board's order was based on a fallacious reasoning that gold and silver are not important to the war effort because those two metals are not used in the actual production of planes, tanks, guns, ships, trucks, etc. Analysis shows, however, that gold and silver production in Arizona and other Western States is absolutely essential to base metal output.

The Arizona Small Mine Operators Association is preparing a statement appealing to the War Production Board to reconsider its action which virtually excludes gold and silver mining from priority assistance and will force a curtailment and gradual shut-down of the mines whose output is vital to maximum copper production. Arizona is the leading copper-producing State in the Union, but to maintain its position it must have suitable fluxing ores which are mined in the State's gold and silver properties.

Gold and silver ores in Arizona are siliceous ores—they have a high silica content—and silica is used by the smelters for flux. It is an essential element in the smelting of base ores containing sulfides. How ridiculous it would be to force the gold and silver mines to shut down and make the smelters acquire their silica flux from sources which contain no values at all.

In 1941, small mines in Arizona shipped 110,361 tons of ore to copper smelters, and of this 93,374 tons, or 84.6 percent of the total consisted of fluxing ores. Shipments of smelting ores and concentrates, which were purchased by the smelters primarily for their base-metal content amounted to only 16,987 tons or 15.4 percent of the total.

The smelters purchase fluxing ores, and in many cases pay good premiums for them, in order to maintain a proper metallurgical balance in their reduction processes. Oftentimes, the metal content alone does not justify the purchase of these ores, but their silica content make them suitable for mixing with ores which are deficient in that requirement but have a substantial content of copper. Without the flux, the copper ores could not be smelted.

The War Production Board's order curtails priority assistance to mines in which the gold and silver content accounts for more than 30 percent of the dollar value of the product. Such mines must apply for individual priority assistance, which means long delays and that miles of red tape must be cut if any aid is to be obtained at all.

The seriousness of this to small mines of Arizona is shown by smelter reports which indicate that 74 percent of the dollar value of Arizona fluxing ores is in gold and silver. The 93,374 tons of Arizona fluxing ores shipped to smelters in 1941 contained gold with a market value of \$413,525, silver with a value of \$376,510, and copper with a value of \$272,762.

The order will be a particularly heavy blow to mines in Mohave County, one of Arizona's most important mining counties, because gold and silver accounted for 74 percent of its production of gold, silver, copper, lead, and zinc reported at \$3,141,236 in 1940. Yavapai County, with a 1940 output of nearly \$13,000,000,

also will be seriously hurt because 30 percent of its output of the five major metals consisted of gold and silver.

Cochise County, which led the State in value of production of the five major metals in 1940 by accounting for nearly \$17,000,000 in value, also has a large gold and silver output. These two metals accounted for 24 percent of its total value that year and since this figure is an average it is obvious that gold and silver content at a number of operations exceeded 30 percent.

DOUGLAS, ARIZ., March 8, 1942.

Mr. WILBUR A. NELSON,
Administrator, War Production Board Mining Branch,
Washington, D. C.

The Arizona civilian defense emphatically protests and urges reconsideration of recent orders amending P-56 and P-100 reducing priorities ratings to gold and silver mines having dollar value in excess of 30 percent of total value. This seriously affects production of fluxing ores necessary to copper smelting; makes necessary mining of fluxes with no value, which will consume even more machinery and supplies, as they have to be equipped; cuts down available copper, lead, and zinc available from ores which could not be mined at all if gold and silver values were not present and has other serious results. While order has very damaging effect on economy of State and ruins certain communities which have no alternative industries, at least distinction should be made to exempt from order those mines containing any base metals. Believe order should be further modified to permit new mines getting started, as the new mines being made today are the ones we may be heavily leaning upon a few years from now in the event the war carries on that long. Believe your objective can be worked out without the damage being done by order as now written. Heartily concur with features of order giving higher ratings to base metal production than that which they have had. Would respectfully suggest cancellation of that part of order referring to gold, silver mines, and conference with those concerned to order which will create less damaging situation, yet attain objective you seek.

P. G. BECKETT,
State Chairman, Division Industrial Resources and Production,
Arizona Civilian Defense Coordinating Council.

MARCH 10, 1942.

Dr. WILBUR A. NELSON,
Administrator of Mining Branch, War Production Board,
Washington, D. C.

DEAR MR. NELSON: The Arizona Small Mine Operators Association, consisting of approximately 4,700 members, desires to register a most emphatic protest against that portion of the recent amendment of preference rating order P-56 curtailing priorities to gold and silver mines. We can appreciate the objective of your order but believe that it has been worked out in a most confused and complicated way and that the objective can be reached without causing the damage and disturbances to the war industries that has been caused by this order.

These various orders and changes are keeping the mine operators in such a state of confusion that they are just about ready to throw up their hands and say "What's the use?" They have been anxious and ready to produce to help the war program and find themselves so beset with obstacles and red tape that they do not know where they are and cannot afford the expense of unraveling the red tape.

I am enclosing a statement prepared by the Arizona Department of Mineral Resources on this subject of curtailment of priorities to gold and silver mines. It does not include anything like a complete analysis of the subject, as it has been hastily compiled with data readily available. It does not begin to show how damaging the situation really is, but I trust that you will read and absorb the few points that it does bring out.

The principal feature of this report is that which concerns us most in Arizona and that is the ability to continue mining fluxing ores under the revised order. This morning we have been informed that you have made the statement that mines producing fluxing ores will be taken care of under the provision of the order which provides for special cases and appeal. This undoubtedly means that a mine producing fluxing ores can make individual applications to Washington for reinstatement under P-56, but this is in no way a solution of the problem as we see it here in the field.

Fluxing ores in Arizona and undoubtedly in many other States come from a large number of different sources. You will note from the report that in 1941 there were 259 different shippers of fluxing ores to the Arizona copper smelters and in addition there were another 64 smaller shippers, with values mainly in gold and silver, but where information on the exact metal content was not obtainable.

These shippers are continuously searching for and finding the ores that the smelters need. As the copper smelters increase their output, which they must do to fulfill the war demands, they are going to require more searching and to get the fluxes that they want they will have to take it in smaller quantities from a great number of sources.

It would not be possible to have these sources of fluxing ores developed without a definite knowledge that those who are developing them were going to be able to find a market for their production and to continue to get the necessary machinery and supplies with which to keep going. There are many of them which could never qualify under present limitations to get started, and yet, if the smelters are going to produce more copper, they must have the fluxes necessary.

The copper smelters of Arizona have been continuously seeking more fluxing ores than they have been able to get. When they find these additional fluxing ores they will produce more copper, but until they find them they are restricted. The situation regarding fluxing ores has often been such that the smelters themselves, or the mining companies owning them, go out and help by leasing or financing to get the additional supplies that they must have.

There is only one way that will satisfactorily solve this problem, and it is not by making individual applications to the War Production Board for reinstatement under P-56. The only way that it can be done is to give some kind of a blanket rating which will assure these mines that when they start they can go ahead and keep on going. Many of them do not qualify even under the 10-men-employed ruling but they make a very definite contribution to copper production.

It should be noted that the smelters will only buy the ores which they need to make the proper metallurgical mix; therefore, the exemption from the recent order should apply to all mines shipping to smelters regardless of gold and silver content.

It makes a rather ridiculous situation when any mine is cast aside and priorities are curtailed simply because they have high values in gold and silver. Only yesterday I had a letter from one of the members of our association asking me what he should do regarding his mine in which he had recently opened up ore running \$12.60 gold, 16 ounces in silver, and 15 percent copper. He had 300 pounds of copper as against 16½ ounces of gold and silver in a ton of rock, and yet under the recent ruling he is virtually prohibited from getting equipment and supplies even though he could make a splendid contribution to copper production. He has 15 times as much copper in a ton of rock as many of the large copper mines.

Undoubtedly this man could qualify under your special application provision, but in order to do so he has to undertake a lot of expense, reports, delay, and other obstacles. He not alone has to hurdle those existing today, but, because of what has happened in the last several months, he has the fear of new and impossible handicaps being created against him in the future. He simply does not have the finances back of him to hurdle the obstacles even though he has a very valuable ore and a much-needed contribution to the war program. Hence he will not start until he sees a reasonably clear road ahead.

The above is but one of many typical cases and it is to be hoped that this problem can be solved in a manner that is simple enough for these small mine operators to operate under. They do not have the money with which to go to Washington to entangle their difficulties. They do not have the funds for financing them during long delays. They do not have the ability to fill out the many reports required or the cash to engage an engineer to do it for them, yet they do have copper, lead, and zinc which the Government wants very badly.

We believe that the cost in curtailment of the Nation's effort for an all-out-for-victory program and the delay caused by the issuance of this gold-silver priorities order will prove to be of far more importance than the saving of the very small amount of machinery and supplies used by gold and silver mining. In other words the country would be better off, in our opinion, if the order had never been issued for it has added to the confusion and uncertainty.

Space or time does not permit of a complete discussion of this most important subject. There are many other phases of almost equal importance but we believe that you will see that a mistake has been made and that it will be corrected. We know that you have a huge problem and that you are approaching that problem with a sincere and honest effort to solve it. Mistakes will be made because of failure to appreciate the intricacies and details of all industries which you are

required to act upon, but we feel that you will promptly make the changes necessary to fit the conditions.

We hope that the serious mistake of issuing the gold-silver priorities order will be promptly rectified by setting it aside until a more equitable and less damaging plan can be worked out.

Yours sincerely,

CHARLES F. WILLIS,

State Secretary, Arizona Small Mine Operators Association.

STATEMENT TO DR. WILBUR A. NELSON, ADMINISTRATOR OF MINING BRANCH,
WAR PRODUCTION BOARD

(Prepared by the Arizona Department of Mineral Resources, Phoenix, Ariz.)

The War Production Board's recent amendment of preference rating order P-56, curtailing priority assistance to gold and silver mines, has caused serious apprehension among mine operators in Arizona and throughout the west. The misgivings that they feel and have expressed are by no means based solely on the dismal outlook for gold and silver mining; they are alarmed as well over the effect that the new order may have on the production of such base metals as copper, lead, and zinc, which are so sorely needed in the war program.

While the granting of higher ratings to producers of the so-called essential war minerals is recognized as a constructive step, the exclusion of gold and silver mines from P-56 has caused concern and consternation because it is not felt that the A-10 rating, still open to producers of these two metals, is adequate under present conditions to furnish them with needed supplies and equipment. If an A-10 rating were good enough, there would be no point in granting A-1-c ratings to producers of base metals.

It is felt that the order barring gold and silver mines from P-56 was due to misunderstanding and to a lack of appreciation of the importance of gold and silver production to the mining and treatment of base metals. Gold and silver ores which contain a high silica content are essential to the smelting and reduction of copper and high lime is necessary to lead smelting.

Smelters have essential requirements for maintaining a metallurgical balance in their operations. These are the proper relative proportions of lime or silica to sulfides and since the perfect ore that contains exactly the right proportions of these constituents does not usually occur in nature it is necessary for the smelters to acquire them from different locations.

In Arizona, the great bulk of the copper ores are sulfide in character with concentrates extra high and consequently there is a deficiency of silica. The situation in Arizona regarding copper ores applies equally to other States where copper and lead are mined—it is necessary to purchase siliceous or lime ores for smelting purposes and if they can be obtained with something of value in them, so much the better.

As a result, the smelters often pay premiums for the siliceous ores produced by gold and silver properties or high lime ores in order to obtain proper fluxing materials, and they must have them to smelt copper, lead, and other metals. It would seem to be absolutely ridiculous to force the gold and silver mines, which have been providing these materials, to shut down and create either a curtailment of the smelting of base metals or require the smelters to go out and develop new sources of flux without value, but with cost and consumption of equipment equal to that which has value.

As a matter of fact, if it becomes necessary to develop quartz mines in order to acquire siliceous ores, the cost will be greater and much additional equipment will be required. The gold and silver mines are already developed and equipped and are on a producing basis. To start work in unexploited and unexplored deposits will require tremendous expenditures for new equipment and a considerable delay. Furthermore, A-1-a priority ratings may well be needed to obtain the new machinery.

A superintendent of one of the Arizona copper smelters stated: "The gold-silver siliceous fluxing ores are very essential in the smelting of copper ores and concentrates. We depend almost entirely on gold-silver ores, which rarely contain any copper, for use as flux in the converters in order to complete the production of copper from the reverberatory matte."

Another superintendent declared: "It would be a serious blow to us if our shipments of gold-silver siliceous ores were cut off. As far as we are concerned, the bulk of our receipts of gold-silver ores are used strictly for fluxing purposes and without them we would be in a serious predicament."

"Not only that," he went on, "there is another point. It is because we have these high-grade silica fluxes available that we are able to treat a considerable tonnage of low-grade siliceous ores containing values mainly in copper. Very frequently, good copper values are found in low silica ores which in themselves are useless as flux. Mixed with clean flux, they can be handled."

Superintendents of other smelters express similar opinions and it is urged that the War Production Board contact these men and verify for itself the accuracy of these observations. It is believed that the Board's recent order, which threatens to cut off smelters' supplies of fluxing ores, should be modified and corrected before irreparable damage is done. Even delay would be serious to the base metal program.

Table I, appended to this report, giving data on Arizona custom ore shipments to smelters for the year 1941 emphasizes the importance of fluxing ores. Eighty-five percent of the custom ores shipped, or 93,374 tons out of a total of 110,361 tons, consisted of fluxing ores which contained a low copper content but high values in gold and silver.

The smelting ores and concentrates, which were shipped for their copper content and which carried minor values in gold and silver, amounted to only 15 percent of the total shipments. These figures do not include the ores delivered to smelters by the major copper-producing mines in Arizona including those operated by Phelps Dodge Corporation, Inspiration Consolidated Copper Co., Miami Copper Co., Nevada Consolidated Copper Corporation, Magma Copper Co., and Shattuck Denn Mining Co., but the custom ores shipped from the small mines played an important part in the reduction of the output of the large producers.

Table II shows the metal content of the fluxing ores acquired by the smelters last year and reveals that the gold and silver values of the fluxing ores shipped to smelters in 1941 contained gold with a market value of \$413,525, silver with a value of \$373,510, and copper worth only \$272,762. Smelters obtained this material from 259 different shippers and there were 64 still smaller shippers of fluxing material with values mainly in gold and silver.

Since the Board's order curtails priority assistance under P-56 to any mine in which the combined gold and silver content equals or exceeds 30 percent of the total dollar value, it is clearly evident that producers of these fluxing ores would not be entitled to better than an A-10 priority rating. Arizona is known as the leading copper-producing State in the Union and the general inclination is to minimize the importance of the State's gold and silver production. Nevertheless, much of the copper mined could not be recovered if it were not for the gold and silver content, and reduction of the copper sulfides would not be possible without fluxing material which is obtained in large quantities from the gold and silver producers.

Table III gives data on gold and silver production in Arizona by counties in 1940, gathered from the United States Bureau of Mines' Minerals Yearbook, and shows that the production of gold and silver in certain counties far exceeds the 30 percent maximum value of gold and silver used by the War Production Board in cutting off priority assistance to gold and silver producers under P-56. It is noteworthy that 18.7 percent of the total value of Arizona production of gold, silver, copper, lead, and zinc in 1940 was accounted for by gold and silver.

The order will be a particularly heavy blow to mines in Mohave County, one of the State's most important mining counties, because gold and silver values recovered amounted to \$2,329,217, or 74 percent of the total value of its output of gold, silver, copper, lead, and zinc, which aggregated \$3,141,236 in 1940. Yavapai County, with a 1940 output of nearly \$13,000,000, also will be seriously hurt because 30 percent of its output of the five major metals consisted of gold and silver.

Cochise County, which led the State in value of production of the five major metals in 1940 by accounting for a total of nearly \$17,000,000, also has a large gold and silver output. These two metals were responsible for 24 percent of the total value of the county's 1940 output and since this figure is an average it is obvious that gold and silver content at a number of operations exceeded 30 percent.

In order to bring out the serious effect that curtailment of gold production may have on certain areas in Arizona, tables IV and V were prepared to show the importance of mining in Mohave County, where gold and silver dominate mining operations. Table IV was compiled from the employers' contribution reports to the Arizona Employment Security Commission and reveals that, of the industries covered by the Workmen's Compensation Act, mining is by far the most important providing 57 percent of the employment and 63 percent of the pay roll.

These figures cover only those employed directly by the industry while as a matter of fact a heavy percentage of those employed in trade, service, utilities,

and other industries are indirectly dependent on mining and the pay rolls it provides for their livelihood.

Inasmuch as the Workmen's Compensation Act does not cover employees in the agricultural industry and a number of other occupations (see footnote at bottom of table IV) table V was compiled from the 1930 United States census figures on persons engaged in gainful occupations in Mohave County to show more clearly mining's relative importance to the county. It will be noted from the table that only two primary industries appear—mining and agriculture.

Therefore, the entire population of Mohave County is dependent on the new wealth provided by these industries and by the tourists on whom figures are not available. Without these industries, there would be no need for service, trade, construction, and utility industries. It is upon mining and agriculture that the county was built and if one of these two industries is withdrawn the effect will be almost disastrous.

From the standpoint of the communities and counties dependent on gold and silver mining, every effort should be made to maintain their production and avoid a collapse of their economic structure. But even if it is felt that the war effort comes first and that it may be necessary to sacrifice communities to the victory program, there still is no justification for clamping down on the gold and silver because of the importance of these metals to the Nation's financial structure and to the production of war essential metals.

Gold and silver are thought of as monetary metals and of relatively little importance today. However, in view of the tremendous expenditures that are being made and the always present threat of inflation due to the unprecedented and rapidly growing national debt, these metals are vital to the Nation's credit system.

Moreover, silver is coming into greater prominence as a result of the war demand for other metals and the fields in which it can be used as a substitute. Aside from its applications in photography and the drug industry, both of which are vital in war, it is finding wider use in plating as a substitute for tin and in electrical equipment as a substitute for copper.

The most important reason for giving these mines whatever priority assistance is necessary to permit continued and uninterrupted operations, however, is the need of the gold and silver ores by the smelters for fluxing purposes. If there were no other reason at all for the War Production Board to reconsider its hasty action in denying gold and silver mines priority assistance under P-56, this would be sufficient because in this manner these mines are making a vital and indispensable contribution to the victory program.

TABLE I.—Shipments of custom ores and concentrates to smelters by small lot shippers in Arizona, year 1941

Type of ores or concentrates	Number of shippers	Percent of total shippers	Tons of ore shipped	Percent of total shipped	Copper content		Percent of total copper	Gold content		Silver content	
					Pounds	Percent		Ounces	Ounces per ton	Ounces	Ounces per ton
Fluxing.....	259	84.6	83,374	84.6	2,273,022	1.22	31.4	11,815	0.1265	529,470	5.671
Smelting.....	47	15.4	15,987	15.4	4,963,713	14.61	68.6	(1)	(1)	(1)	(1)
Total.....	306	100.0	110,361	100.0	7,236,735	3.19	100.0				

¹ Not available.

Source: Compiled by the Arizona Department of Mineral Resources from data submitted by the operators of smelters treating Arizona ores. Smelters submitting the data from which the table was compiled include the Clarkdale and Douglas smelters of Phelps-Dodge Corporation, the Hayden and El Paso plants of American Smelting & Refining Co., the Miami smelter of International Smelting & Refining Co., and the Magma Copper Co. smelter at Superior.

NOTE.—In addition to the above there are also 64 still smaller shippers of fluxing ores with values mainly in gold and silver, but metal content is not available.

The above tabulation does not include shipments of the major properties in Arizona operated by Phelps-Dodge Corporation, Inspiration Consolidated Copper Co., Miami Copper Co., Nevada Consolidated Copper Corporation, Magma Copper Co., and Shattuck Denn Mining Co.

TABLE II.—Gold, silver, and copper content of Arizona fluxing ores, year 1941

Metal	Amount contained	Value	Percent of total value
Gold.....	11,815 ounces.....	\$413,525	38.01
Silver.....	529,470 ounces.....	\$78,510	25.43
Copper.....	2,273,022 pounds.....	\$72,735	25.05
Total.....		1,062,797	100.00
Gold and silver combined.....		790,035	74.34

TABLE III.—Value of mine production of gold and silver in Arizona compared with total value of gold, silver, copper, lead, and zinc output by counties, year 1940

County	Fine ounces	Value	Fine ounces	Value	Gold and silver value	Percentage of total—5 metals	Gold, silver, copper, lead, zinc value
Cochise.....	65,054	\$2,277,240	2,874,564	\$1,830,801	\$4,108,041	24.21	\$16,995,111
Coonino.....	4	140	218	153	265	0.01	9,787
Gila.....	4,061	173,635	144,336	102,639	276,274	1.7	10,332,098
Graham.....	48	1,080	2,333	1,659	3,330	0.03	2,156,719
Greenlee.....	1,185	41,475	83,850	59,033	101,108	3.30	2,156,719
Maricopa.....	6,729	235,515	122,518	87,124	322,639	91.05	354,218
Mohave.....	59,037	2,065,295	300,734	262,922	2,328,217	74.15	8,141,236
Pima.....	33,525	1,173,375	394,581	280,501	1,453,066	10.97	13,253,316
Pinal.....	48,227	1,812,945	1,051,107	754,555	2,567,510	15.94	14,228,443
Santa Cruz.....	2,545	80,075	640,710	455,616	544,601	31.58	1,742,555
Yavapai.....	75,210	2,632,350	1,651,655	1,174,439	3,826,789	29.59	12,823,783
Yuma.....	3,272	114,520	29,700	21,120	135,640	80.83	100,995
Total.....	294,807	10,318,245	7,075,215	5,031,264	15,349,509	18.68	\$2,187,790

TABLE IV.—Employment and wage payments in Mohave County, Ariz., year 1940

Industry	Average number of employees	Percent of total employees	Wage payments	Percent of total wage payments
Mining.....	668	67.65	\$1,045,571.87	63.18
Contract construction.....	6	.61	10,573.96	.65
Manufacturing.....	19	1.92	23,531.80	1.42
Transportation.....	19	1.92	23,586.06	1.24
Communication.....	13	1.11	23,035.23	1.39
Utilities.....	40	3.42	54,571.77	3.32
Trade.....	241	20.58	325,701.76	19.69
Real estate.....	10	.85	12,281.76	.74
Service.....	144	12.90	127,811.05	7.72
Professional service.....	5	.43	4,594.14	.28
Miscellaneous.....	6	.51	6,111.25	.37
Total.....	1,171	100.00	1,654,787.00	100.00

Source: Employers' contribution reports to Arizona Employment Security Commission. These figures include only workers covered by the Unemployment Compensation Act. Companies with less than 3 employees are not subject to the law. Neither are agricultural labor, domestic services, Government employees, nor the wage earners of certain nonprofit organizations.

TABLE V.—Persons engaged in gainful occupations in Mohave County, year 1930

Industry	Number of employees	Percent of total employees	Industry	Number of employees	Percent of total employees
Agriculture.....	542	22.18	Trade.....	285	11.65
Mining.....	531	21.71	Real estate.....	16	.65
Construction.....	94	3.43	Finance.....	24	.96
Manufacturing.....	55	2.25	Government service.....	130	5.31
Transportation.....	196	7.97			
Communication.....	67	2.74	Total.....	2,445	90.99
Utilities.....	55	1.80			

Source: United States census figures for the year 1930 classified to correspond as closely as possible to the break-down of employment used by the Arizona Employment Security Commission in its reports of employer contributions. The census figures, which include all persons engaged in gainful occupations naturally are much higher than those of the employment security commission which apply only to employees of businesses where 3 or more individuals are working and does not cover agricultural workers, Government employees, domestic servants, nor the employees of certain nonprofit organizations.

[From the Mining Journal, March 15, 1942]

DRIFTS AND CROSSCUTS

While it has been expected for some time that the War Production Board would "crack down" on priorities for gold and silver mines, or give them a less preferred place than that occupied by copper, lead, zinc, and other metals, the order that finally came out was many times more drastic than even the most pessimistic anticipated.

While the A-10 granted sounds like a fair rating, the way that everything is being pushed up ahead means that A-10 is being left out in the cold and that very soon nothing will be obtainable under it. The drawing of the line at mines which contain 30 percent or more gold and silver in dollar value, regardless of the base-metal content or the uses to which the ore is put, is so ridiculous that it is hard to understand.

Even admitting—which we do not—that the metals, gold and silver, are non-essentials insofar as the defense program is concerned, the copper, lead, zinc, tungsten, and other metals which are highly essential are so extra important and so much more in volume that we should be quite willing to permit the production of a little silver and gold to get them. It is the silver and gold in many cases which sweeten the value of copper, lead, and zinc ores and make it possible to mine them. Without the silver and gold, they would have to be left in the ground, mine them. Likewise important are the minerals contained other than the base metals.

Copper smelters need and must have silica and the large copper mines seldom have enough silica available to offset the high sulfide concentrates which they make. They scour the country for high siliceous ores and hope to be able to find them with a gold-silver content that pays for the cost of handling them. Now these ores are ruled out, yet the copper smelters will have to find and mine fluxes. The equipment and supplies used in mining fluxes without value will likely be even greater than mining the same quantities with values as it will mean new mines to get under way.

Similarly, lime is an essential in lead smelting. Without lime flux we will not get lead and we must have it. Just because you are unfortunate enough to have a lime rock with some gold and silver values in it to help pay for the cost of mining, you are prohibited from getting supplies and equipment.

It is such a ridiculous ruling and definition that we feel it will be modified just as quickly as its sponsors can be made to appreciate what damage they have done to the base-metal production program. We know there are some capable mining men connected with the War Production Board. That is what makes it so hard to understand why they got so far off on the wrong foot.

[From The Mining Journal, April 15, 1942]

DRIFTS AND CROSSCUTS

Wars are not won with brave words and stirring bands. Wars are won with deeds. Wars are won with production. Wars are won through the full, uncompromising cooperation of government, of labor, of industry, and of all the people.

Our war will be won or lost on the home front. Victory depends on whether we can make and deliver the endless quantities of planes and ships and guns and ammunition that our troops and our allies so sorely need.

And we are never going to make these planes and ships and guns and ammunition until we first produce the raw materials with which to construct them. The basic raw materials are minerals and metals and we hope that Washington will soon learn that it must do something about getting them.

Nothing has happened in the mining industry in a long time which has stirred up so much wrath as the recent ill-advised and ridiculously written order which "cracked down" on mines simply because they happen to have gold and silver values in excess of 30 percent of the dollar-value of their production, regardless of the use to which these ores are put. While one department of the Government tells us how badly it needs copper, lead, and zinc, and urges all-out production, another department "cracks down" and says these metals cannot be produced without going through and keeping up a complicated procedure that makes it almost impossible for the mines to produce.

Even while one part of the particular order gives a highly improved and preferred rating to some producers and to the manufacturers of mining machinery, recognizing mining as being almost on the par with munitions, another section of the same order gives a lowered rating to those who produce fluxes. And fluxes are just as essential to base-metal mining as machinery.

Flagrant ignorance of the mining industry was shown by those who wrote that order. It would be laughable if it were not so serious, but the bottleneck of the whole production program is the shortage of raw materials. Sometimes it looks as though deliberate efforts were being made to sabotage the war program by restricting, or making more difficult, raw-materials output.

There possibly are some gold and silver mines that are not essential to the war effort, except from an economic point of view, and thus the steel and other commodities which they consume might be used more effectively in other war industries. It is always a question of relative importance. However, these are the exceptional cases, and to "crack down" on a very large group, and then make each one individually justify its own right to participate in the war effort is a mighty back-handed way of solving the problem.

Many necessary producing units will never qualify because they cannot afford the expense and red tape involved. The number of producing units that can qualify would be at least 50 to 1 as compared with those which would seek qualification on an economic basis.

If it is possible for the mining branch of the War Production Board to shut down all gold and silver mines and then determine, after individual application and consideration which ones are sufficiently important to the war program to be permitted to resume, a reverse procedure likewise should be possible; that is, let all properties continue to operate and determine by individual examination of records which ones should be shut down, or which ones consume needed supplies in excess of the importance of that which they produce. The plan being used means delay and less ultimate production; the other means the speeding up which is so highly desirable. Again we say that if there is an awkward and complicated way of doing a thing, they seem to be able to find it in Washington.

It is far from soothing to receive suave assurance that everything will work out all right; that no mine producing appreciable quantities of copper, lead, or zinc, will be denied priorities; that no mine producing needed fluxing ores will be held back. They have been hurt and the whole program has been delayed. Unfortunately, Mr. Jap is not waiting until we get our house in order. We are engaged in a war that is costing many lives and much money, and every day that preparations are delayed costs additional lives and extends the financial burden to new generations.

The enemy must derive aid and comfort to see that the men in Washington who dominate the policies of the basic war industry—mining—know nothing about it, and that the men in Washington who do know mining—and there are many of them—seemingly lack the guts to tell their policy-making superiors just how harmful and far-reaching some of their actions are.

We do believe that this and other wrinkles will be ironed out eventually, but why cause the wrinkles in the first place?

CHARLES F. WILLIS.

BELMONT COPPER MINING Co.,
Superior, Ariz., March 10, 1942.

Mr. CHARLES F. WILLIS,
Phoenix, Ariz.

DEAR MR. WILLIS: With reference to the suggestion of the Office of Production Management that priorities be extended only to those mines where the copper production is at least 70 percent of the total value in the ore, this would work as a great hardship on companies that are endeavoring to open up new copper ore bodies.

In the case of this company, the property was recently and very thoroughly examined by engineers representing one of the large mining companies and serious consideration is being given to an extensive development program in the belief that a rich copper mine will be developed at depth similar to the high-grade and deep-seated ore bodies in the nearby Magma Copper Co. The ores so far mined at and near to the surface on our property are thoroughly oxidized and leached, with silver and gold predominating. With greater depth the silver and gold values decrease and the copper increases. In this district oxidation goes deep and the main ore body of the Magma Copper Co. has its apex between the

400- and 500-foot level. At our property, the veins near to the surface contain practically no copper, and at a depth of several hundred feet the ore runs between 1½ and 2 percent copper.

The day when copper mines are to be found near the surface is long past and we should look for them in proven districts where the geological conditions and surface showings are favorable. This company for several years past has been producing siliceous ores containing silver, copper, and gold which are required by the smelters for flux but the more important issue in the cause of national defense is the excellent prospect of finding rich copper ore at greater depth.

Yours very truly,

ARTHUR J. SMITH, *Secretary.*

[Radio address delivered by Col. Charles H. Rutherford, Civilian Aide to the Secretary of War, over radio station KTAR Phoenix, Ariz., March 14, 1942]

HOW MISTAKEN PRIORITIES POLICIES HANDICAP OUR ALL-OUT WAR EFFORTS

I have said to you before, in this series of talks on national defense, and more recently in my talks on winning the war, that I consider it the duty of every citizen to call attention to what he believes to be mistakes made by our public officials; and I have told you that I consider it the duty of those with an intimate connection with Washington officialdom to go to bat for the correction of such mistakes.

Strange to say, I follow my own advice in this matter, in spite of the old adage about a lawyer not trying his own suits. I went to bat on the matter of military defenses for our dams and utilities—and the guards are here. I helped in the campaign against the mistaken priorities ruling affecting irrigation equipment—and the mistakes have been corrected.

But now we have come up against a mistake in priorities rulings that taken the grand prize for absolute lunacy. I refer to the recent order cutting down the priorities standing of mines having 30 percent or over of their values in gold and silver. There is no use mincing words, or pulling punches, this is so absolutely absurd that those responsible for it automatically convict themselves of absolute and complete ignorance about mining in all its phases, and by this action convict themselves of not having the faintest idea about what—in connection with mining—will or will not be helpful in winning the war.

Now naturally, since it is obvious that this ruling—if not materially modified—will have a direct and seriously bad effect upon winning the war; and since my superior officer, the Secretary of War, has so tremendous a responsibility in our war effort the first thing I did when this silly ruling threatened the mining industry as a whole, and strategic minerals in particular, was to sit down and write a letter to the Secretary. Here is what I wrote:

PHOENIX, ARIZ., March 11, 1942.

HON. HENRY L. STIMSON,
Secretary of War, Washington, D. C.

DEAR MR. SECRETARY: As your civilian aide in the important mining State of Arizona, I would be derelict in my duty if I did not call your attention to the inevitable handicaps to our war efforts that would follow the recent order of Dr. Wilbur A. Nelson, Administrator of the Mining Branch of the War Production Board. This order, unless either revoked or greatly modified, will place a number of handicaps on our conduct of the war, and since you have such tremendous responsibilities in carrying on the war you should be informed by persons who know.

I have lived and practiced law in Arizona for over 36 years—most of it in mining camps, and much of it concerning mining. I am a past chairman of the Arizona Small Mine Owners Association. I have studied the problems of national defense, and preached national preparedness, for more than 20 years, and I have actively aided in the national preparedness efforts, as civilian aide to the Secretary of War, for 12 years.

I can assure you, out of my long experience and observation of both mining matters and of the problems of national defense, that this order, unless revoked, will handicap our war program in all the following ways:

1. This order will seriously interfere with the production of strategic metals—copper, lead, zinc, manganese, tungsten, and others.
2. This order will prevent putting into production large numbers of mines capable of producing strategic metals, now ready to produce.
3. This order will make it increasingly difficult, if not impossible, to finance further mining development and production of strategic metals.

4. This order will create widespread unemployment at a time when employment is very important, both from the standpoint of economic necessity and of morale.

5. This order will automatically deprive the Government of a large cash income, badly needed to purchase war supplies, that does not cost the taxpayers a penny.

Now let us amplify these statements a little. I have said that this order will seriously interfere with the production of strategic metals. Here is how: The large producers of copper and other strategic metals all have ores that require the addition of fluxing ores for smelting. They buy these ores only when they serve this purpose. The ores they buy are produced, almost exclusively, by mines that will be closed down by this order. It would cost more, take more machinery, supplies, and equipment, to provide other sources of these fluxes, than will be required to continue the operation of the present mines supplying them—and it would take months to develop them.

In addition, the actual facts are that a large percentage, a large majority in fact, of the mines producing strategic metals could not operate at all if their ores did not contain enough gold and silver to pay at least part of the cost of operation; and there are large numbers of them, whose production of strategic metals is important, that produce gold and silver far above this arbitrary ruling.

I have said that this order will prevent putting into production important prospective producers of strategic metals; for instance, a few days ago, the State secretary of the Arizona Small Mine Operators Association notified Dr. Nelson, who promulgated this absurd order, of a case in Arizona of a mine ready to go into production with ore that runs 300 pounds of copper to the ton, 15 times what many of the large mines produce—yet because his ore has 16½ ounces of gold and silver, this order makes it impossible for him to operate. And what happened? Two days later the man who made the order declared that it would not be modified.

That this order will make it increasingly difficult, if not impossible, to finance the development and operation of more mines to supply more of the needed strategic metals. This is almost self-evident. Why should anyone take a chance on investing money in mine development if they can anticipate that just such ridiculous orders as this one are likely to destroy the development, close the mine, and lose their investment?

That this order will create widespread unemployment, which is self-evident and needs no elaboration.

That this order will deprive the Government of a large cash income, badly needed to purchase war supplies, that does not cost the taxpayers anything. Here is how and why:

Under the Silver Remonetization Act of 1939 silver producers ship to the United States mint. The mint coins 55 percent into silver dollars and sends it as payment, and retains 45 percent as payment for receiving, handling, coining, etc., most of which is clear profit to the Government. Last year this amounted to nearly \$40,000,000 the Government received, which did not cost the taxpayers anything, and which would buy quite a few planes our beleaguered forces in the South Pacific need so badly. And Dr. Nelson blithely proposes to stop this source of revenue to the Government.

Taken altogether, Mr. Secretary, this order reaches such heights of absurdity, and discloses such depths of ignorance regarding the actual facts in mining strategic metals, that the English language hardly contains strong enough terms to denounce it.

I am fully aware, of course, that this order comes from a bureau over which you have no control, just as other orders and rulings which interfere with the most efficient functioning of your War Department. And, I am also fully aware that the people of the United States, whenever anybody or any bureau gets in your way in carrying out the fine job you are doing in winning the war, will back you up in demanding that the orders that interfere be revoked, and the persons who issue such orders be released where they can do no more harm.

I do not advocate the Japanese system of hari-kiri, for those who made major mistakes, but I surely hope that something can be done to correct this major error, and eliminate those responsible for it. We have no place in this Government, at this time when we are fighting with our backs to the wall, for the preservation of human liberty, for people who make rash and absurd orders that actually damage our war efforts, and, I can promise you, Mr. Secretary, 100 percent support from the people of Arizona in whatever efforts you make to cure this situation.

Respectfully submitted.

CHARLES H. RUTHERFORD,
Colonel, Civilian Aide to the Secretary of War.

You might gather from this letter that I am a little "het up" as our "Old Roman" used to say. Well, I am. I have been in public life for more than a generation, and have observed matters affecting governmental activities much longer, and I know of no instance where such complete ineptitude, such abysmal ignorance of the actual facts and the inevitable results, has led to such an inexcusable order.

I hope that every citizen within the sound of my voice will write to anybody of importance in Washington, and protest against the continuance of this absurd order, which if carried out, will close down our mines by the hundred, and make it more difficult and expensive to produce strategic metals, and which will bankrupt many small mine owners and operators; that will throw thousands of men out of work and handicap mining development throughout the West.

I hope that Representatives in Congress of every mining State will rise up and make the welkin ring with denunciation of this inexcusable example of bureaucratic bungling.

I hope that the newspapers and cartoonists of the Nation will denounce this order, and place the proper headgear on this picture of the dunce who are capable of such incompetence.

The miners of the West are good Americans. They are working hard and fast. They are performing some of the most useful and necessary functions in connection with the war. They are producing the minerals without which we would be compelled to fold up and let the yellow termites of Japan eat up the foundations of our liberties.

We cannot and we will not permit some ignorant bureaucrat in Washington to put our mining industry out of business, nor to make it impossible for our miners to do their share in winning the war.

The excuse offered is that each case can be heard on its own merits. This is as silly as the original order. Each case would be heard by the same man who issued the ridiculous order—and how far would they get? The small mine owners and producers of the West cannot afford to go to Washington. They cannot afford to employ high-priced representatives to go there, to fight for their right to exist and serve their country, and they cannot afford to remain in Washington and wait their turn for a hearing before people who have already made up their minds and made them up wrong, as the man did who issued this order.

In closing, I appeal to you, the small mine owners and operators, to let out a roar which will be heard throughout the West, and pry this man loose from his underpinning. Write your Senators and Congressman for action and relief. Let no one interfere with your desire to do your part in winning the war.

I thank you, and good night.

[From American Metal Market, March 7, 1942]

THE METALS LABYRINTH IN WASHINGTON

Our War Production Board has issued an order which denies the use of present blanket priority ratings to mines whose production consists of gold and silver to more than 30 percent of the total dollar volume produced.

Immediately on promulgation of this order, Washington was deluged with mine operators who could get to Washington overnight, by long distance telephone messages, and by telegrams protesting against this order and its inevitable results.

Without discussing the question as to when a mine is a gold mine or a base-metal mine, and the fact that the average man would be inclined to say that it was a gold mine if more than 50 percent of its product was gold, let us see what has happened on the 30 percent basis of the order and what would happen on a 50-percent basis. Take specifically the State of Utah where there are five smelters, more than in any other one mining district in the country. To smelt these sulfide ores of copper and lead, it is a metallurgical necessity that they have silicious flux. It so happens that there are mining camps in Utah, such for example as Tintic, which mine nothing but dry silicious ores of gold and silver. These dry silicious ores are the absolutely indispensable fluxing ores needed by the smelters to produce the copper and lead which the same War Production Board and Office of Price Administration tell us are very much short of war needs.

Under this order, therefore, every one of these mines producing dry silicious gold ores needed for flux would lose their priority ratings, and what would happen to the smelters? The uproar caused by this order resulted in the issue of another

one a few days later dated March 4 explaining that the order does not mean that the mines will be cut off from priorities assistance, but that, "it is felt that each such case should be dealt with on its merits in order to conserve scarce materials."

Why in the name of reason should the War Production Board issue an order of this nature covering the mining industry which results in the throwing onto the already overburdened and overcomplicated and overorganized War Production Board the burden of considering every mining operation in this country as a special case.

One of the earliest arrivals in Washington on this matter had the following experience: Having explained the position of his mine and its production of lead and zinc coincident with the gold and silver in the ore which exceeded the 30 percent limit, he was informed that if he would go to Mr. X in temporary building Y, wing Z, and he would certify that the zinc production was necessary, and if he would then go to Mr. S, in temporary building U, wing V, and he would certify that the lead production was necessary, he would recommend that the present high priority rating of the mine, which had been annulled by the order, should be restored and he held out hope to the operator that, inasmuch as his recommendations generally had been approved, that it was likely that this one also would be approved. In the meantime, "They also serve who only stand and wait."

This is in accord with the policy of the Department which in its last release dated March 4, as mentioned above, has the following concluding paragraph:

"Border-line cases in which there is some question as to whether the proportion of gold and silver produced by a mine is high enough to remove it from the coverage of P-56 will be reviewed on appeal, and the right to use blanket ratings under the terms of the order may be granted in specific cases."

Then take the case of another mine producing lead and zinc. It operated for a year and a half at a loss of \$62,000 and shut down 30 days ago because under current conditions of cost of labor and supplies and taxes it could not operate except at a loss. If it could get a zero quota and operate under the new metals reserve premium prices to stimulate production it could resume. It applied for a zero quota and was informed that it did not have to apply, that the quota would in due time be issued automatically based on the 1941 production. The circumstances being explained the operator was informed that an application could be filed and would be considered. The application was filed and its supporting documents of statistics and operating data ran to 31 pages plus a mine map. The operator was then informed that 8 copies would have to be made and 6 members of a committee would study the matter that then they would have a conference and then would make their recommendation. In the meantime the production of lead and zinc from this mine is not forthcoming. Now some of the men on this committee of 6 are known to be men who have been mining lead and zinc all their lives, and have built large plants in this country and abroad. But they have no authority. They can only study and recommend.

Why is it necessary to issue orders which set up almost insuperable obstacles to the smooth functioning of a necessary war industry only to have to concentrate the entire ingenuity of everybody concerned in finding legal ways and means, bordered with red tape, in an effort to remove these obstacles?

The various metal offices of the War Production Board are now inhabited by the cream of the mining profession. At every turn one meets old friends from Africa or South America or the various mining districts in this country. Private capital has trusted their judgment on the expenditure of literally hundreds of millions of dollars in the development and operation of mines. That they have justified this trust both in the way of integrity and professional ability is shown by their rise to eminence in the mining profession. Why should they be put in subordinate positions in Washington to recommend to someone higher up, who still has to be educated in the mining business, what should be done to get out war metals in the midst of this most terrible war?

If such things can happen in an industry which is so closely related to our own daily bread, it is a fair assumption that the same thing is transpiring with respect to other industries we are not familiar with and it is also a fair assumption that this is one of the reasons why President Roosevelt is distressed at the number of "parasites" whom he has ordered out of Washington and it is also a fair conclusion that we do not know any more about running a war than George Washington knew about a Ford car.

The chair recognizes Senator McCarran.

STATEMENT OF THE HONORABLE PAT McCARRAN, UNITED STATES SENATOR FROM NEVADA

Senator McCARRAN. Mr. Chairman, I think it might be well for us to approach this subject with a brief history of what has occasioned this meeting, by reason of what has affected the mining industry in the last few months.

On March 2 of this year there was issued what is known as the priority order of March 2—priority rating order P-56 as amended on March 2, 1942, copy of which has already been inserted in the record.

Pursuant to that order, Mr. Chairman, a number of meetings were held throughout the mining region, one especially at the Mackay School of Mines in Reno, Nev., and one at Denver, Colo., at which mining operators and miners attended quite liberally. Those hearings were reported, and the record is available at this time. They are somewhat voluminous and need not go into the record here, but I think that they should be before the committee.

Pursuant to the effecting of the order of March 2, 1942, and by reason of the effecting of that order in the mining States generally, it was my privilege to offer a resolution in the Senate of the United States, known as Senate Resolution 232, of the legislative day of March 5 and calendar day of March 25, 1942. I think that that resolution might well appear in the record at this point.

The CHAIRMAN. Without objection, it is so ordered.

(S. Res. 232, legislative day of March 5, calendar day of March 25, 1942, is as follows:)

[S. Res. 232, 77th Cong., 2d sess.]

RESOLUTION

Resolved, That the special committee created pursuant to S. Res. 187, Seventy-fourth Congress, agreed to August 16, 1935, or any duly authorized subcommittee thereof, is authorized and directed to make a full and complete investigation with respect to the origin of, and the necessity for, the amendment made on March 2, 1942, to Preference Rating Order P-56 (relating to preference ratings for deliveries of materials for mining enterprises) under which mines are excluded from the benefits of such order if more than 30 per centum of their production in dollar value consists of gold or silver, or both. In connection with such investigation, the committee shall ascertain and determine the extent to which consideration was given, in making the amendment to such order on March 2, 1942, to the effect of such amendment on (1) the mining industry in general; (2) the economy of hundreds of communities which are wholly dependent upon mines producing gold or silver, or both; (3) the creation of additional unemployment in mining communities; (4) the extent to which silver may be used in the war effort as a substitute for strategic minerals; (5) the activities of prospectors searching for new discoveries of strategic minerals needed for the war effort; and (6) the losses in tax revenue to the Federal, State, and local governments resulting from the closing of mining enterprises which are unable to secure materials for their continued operation. The committee shall report to the Senate, at the earliest practicable date, the results of its investigation, together with its recommendations, if any, for necessary legislation.

For the purposes of this resolution, the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Seventy-seventh and succeeding Congresses, to employ such clerical and other assistants, to require by subpoena or otherwise the attendance of such witnesses and the production of such correspondence, books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed \$5,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

Senator McCARRAN. I notice, Mr. Chairman, that Dr. Nelson has very kindly consented to be with us this morning, pursuant to the request of this committee. I am wondering if Mr. Batt or Mr. Knowlson will be present. Dr. Nelson, can you tell us?

Mr. NELSON. Mr. Batt's office called me and said that, at the time the request came to his office this morning, he had already left the office for some appointment at the other end of town. They said they would try to locate him, but they had been unable to locate him at the time I left.

Senator McCARRAN. A very interesting article entitled "A Message to Mine Operators and Manufacturers of Mining Machinery and Supplies," by Dr. Wilbur A. Nelson, has been published in the Engineering and Mining Journal for April 1942. It is not lengthy, but it is full of exceedingly interesting matter. I respectfully suggest that it be made a part of the record.

The CHAIRMAN. Without objection, the article will be placed in the record.

(The article referred to is as follows:)

A MESSAGE TO MINE OPERATORS AND MANUFACTURERS OF MINING MACHINERY AND SUPPLIES

By Wilbur A. Nelson, Administrator, Mining Branch, Materials Division, War Production Board, Washington, D. C.

In setting up the Mining Branch of the Materials Division of the War Production Board, clear recognition was given to the fact that mining is No. 1 war industry and that certain metals and nonmetallic minerals are prime essentials to a military victory. No other industry rivals mining in the essential character of its products, nor can any other industry make its full contribution to the war without them. Planes, tanks, guns, ships, and all the implements and instruments of modern mechanized warfare call for metals in ever-increasing quantities. The essential character of these raw materials is axiomatic.

To the mining industry this is at once a matter of pride and responsibility. The very importance of the industry entails an equal measure of obligation to see that minerals are produced in quantity—and in time—to insure victory. The need was never so critical; the time was never so short. As President Roosevelt has so well said: "Never before have we had so little time in which to do so much." A heavy duty and responsibility, therefore, rests upon us who are associated in the mining industry to join forces so that maximum production will be made in minimum time.

This will call for extreme measures of cooperation to which we are not accustomed in normal times. It will entail sacrifice of self-interest and dislocation of customary routine. But ordinary procedures will not meet the emergencies of extraordinary times, so we must coordinate closely the efforts of all elements of the industry if we are to function effectively. Mine operators, manufacturers, and the Mining Branch of the War Production Board must unite in a determined effort to reach the goals set up for our armed forces.

As Administrator of the Mining Branch I have felt for some time that, in establishing preference ratings, mine operators and makers of mining machinery should be placed on a parity with makers of munitions. Recent amendments to preference rating orders P-56 and P-56-a for mine operators and manufacturers of mining machinery, respectively, implement that policy. They give to those two important groups high ratings for essential repair parts, and provide for delivery of essential new machinery and equipment on advance application. Together with preference rating order P-73 for smelters and refiners of essential metals they provide for the requirements of the mining industry from prospecting to production of metal.

But preference rating orders alone will not accomplish all that is desired. We must enlist the self-interest of operators and machinery makers, if we are to insure adequate supplies of repair parts and raw materials. The requirements of operators and manufacturers must be inventoried and know far in advance if raw materials are to be earmarked and allocated for their use. Take a quick glance at the cold logic of the situation, and note the inevitable conclusion.

1. Minerals are prime essentials in this war. They must be produced in ever greater quantities.

2. This means double- and triple-shift days, and 6- and 7-day weeks.

3. Increased hours of operation add to the wear and tear of machinery, call for more repair parts, and ultimately for new equipment.

4. Manufacturers and suppliers cannot meet this abnormal demand unless (a) they have in advance a pretty fair idea of its magnitude, and (b) assurance of adequate supplies of critical raw materials for fabrication.

5. The mine operator holds an important key to the situation. He alone can make a fair estimate of his own requirements under current operating conditions.

6. The War Production Board holds the critical key; namely, the power to earmark for use by manufacturers the necessary quantities of raw materials, once the primary information has been supplied by operators. The Mining Branch is using all of its energies to see that this is done.

7. The inevitable conclusion is that operators must inventory their needs by quarters for the remainder of 1942 and early 1943 and notify their customary suppliers of their probable requirements. Being thus forearmed, manufacturers should inform the Mining Branch of their needs. The requisite quantities of raw materials can then be earmarked for future use. Only in this manner, and with the closest cooperation, can any reasonable estimate be made that will insure continuous mine operation at the peak of production.

Another obvious duty remains to manufacturers in the interest of conservation and economy, and that is to simplify their lines of products, abandon nonessential styles, sizes, and varieties, and concentrating their production effort on the most essential. The opportunity for simplification probably is not as great in the field of mining equipment and supplies as in some other lines of manufacture, but the possible economies should not be overlooked. Now is a good time to clean house and notify the mining industry of your decision.

It is impossible to overestimate the importance of this matter of coordinating the activities of the mine operator, the equipment manufacturer, and the Mining Branch of the War Production Board if mining is to make its vital contribution to the war effort. I can assure all concerned that the Mining Branch will exercise its power and authority in the interest of maximum production of essential metals and nonmetallic minerals; but we can be effective only if operators take the trouble to tell manufacturers what they need. Most of the latter have already informed the Mining Branch of their requirements.

Probably a further word is needed at this time in explanation of the amendments to preference rating orders P-56 and P-56-a. The principal changes are to the following effect.

Complex ore mines, which produce amounts of copper, lead, or zinc needed in the war effort, will continue to receive the priority benefits of preference rating order P-56, irrespective of the amount of gold or silver produced. The same will be true for mines producing siliceous ores necessary for the continued operation of smelters.

The A-1-a rating for repair of actual break-downs is continued in effect. It can be applied only after advance approval by the Director of Industry Operations.

An A-1-c rating is given to deliveries to essential mines of repair parts for essential machines. An operator is restricted in applying this rating to a quota established quarterly by the Director of Industry Operations.

An A-1-c rating is given to deliveries of other repair parts and to other mines when necessary to avert break-downs. This rating can be applied only after advance approval by the Director of Industry Operations.

Deliveries of essential machinery and equipment receive such preference ratings as may be assigned by the Director of Industry Operations after advance applications.

Suppliers can extend at the same level the ratings received from operators.

The exclusion of gold and silver mines from the benefits of P-56 was naturally the cause of some disturbance and misunderstanding in the industry. In an effort to clarify the situation I made public a statement substantially as follows:

"No mines producing copper, lead, or zinc in amounts needed in our war effort, irrespective of the amounts of gold or silver produced by such mines will be denied priority ratings under order P-56. Each case will be reviewed and, where it is found that the mine is producing needed amounts of copper, lead, or zinc, that mine's serial number will be reinstated. This will also apply to mines producing siliceous ores where such ores are needed by a smelter in order to maintain the smelter's production of copper and lead."

"We have already reinstated the serial numbers of certain mines, and will complete this reinstatement as promptly as individual mines furnish us the needed information. Only about 300 mines were notified by wire that their serial numbers under order P-56 had been withdrawn. May I point out that these mines still had the priority rating of A-10 under P-100, and that the mine operator could also use our PD-1A forms to apply for preference ratings on specific items from specific suppliers where such items could not be obtained on an A-10 rating."

"May I also say that all public utilities, railroads, and newspapers are operating on an A-10 rating at this time."

"If there were no shortage of mining machinery, there would be no need to take any action in regard to mines producing nothing but gold and silver; but with such a shortage, and with the great demands on our country to produce the essential and strategic minerals for the building of the implements of warfare for us and for many of our Allies, we must know that each mining machine is going to a mine which is part of our direct war effort."

In a further effort to promote a clear understanding of the withdrawal of serial numbers from gold and silver mines, I held an informal conference in Washington with Members of Congress representing western mining States. Subsequently I met with operators and public officials in Reno, Nev., and Denver, Colo., where I explained the urgency of the situation and the necessity for conserving materials and supplies for production of critical and essential metals.

As a result of the conference and meetings I feel quite sure that after the operators have responded to my request for information and have been classified on the basis of their production of gold and silver and base metals, they will realize that no injustice was intended and that the amended order was necessary to conserve scarce materials.

In conclusion I reiterate the desire and intent of the Mining Branch to be helpful to operators and manufacturers; but again I emphasize the point that their hearty cooperation is imperative if the War Production Board is to carry out the victory program.

Senator McCARRAN. Mr. Chairman, I wonder if Dr. Nelson will kindly come forward to the table here.

Mr. NELSON. Yes, sir.

Senator McCARRAN. Mr. Chairman, it is the view of the author of this resolution, pursuant to which this meeting was called, that much good might come of a meeting with Dr. Nelson and with the other officials of the War Production Board, especially the branch of the War Production Board headed by Mr. Batt, so that we might know what are the full intentions and what is the purport of the order of March 2, 1942, and that are the intentions of the board with reference to granting priorities to mines producing precious metal.

In this respect, in order to open the discussion, let me say that we have reports from the various sections of the country, showing that the priority order of March 2 has tended to close down mines in the various sections of the country—and close them down for various reasons.

Some have suggested that these mining operations have closed down because of the lack of labor. An investigation into that phase of it indicates that there is some cogency in that statement. But behind that, Mr. Chairman, there comes another significant matter, namely, that mine labor throughout the mining sections of the country, cognizant of the fact that the respective mines in which they are employed can carry on for only a limited time, and noticing that there is opportunity for employment at much better wages at other places, have not waited for the closing down but have taken time by the forelock, so to speak, and have said to their employers, "You are going to have to close down anyway within a reasonable time, so we are going to hunt other jobs where we can get better wages."

The result has been, Mr. Chairman, that those who were able to move—the younger men of the mining-labor population—have in many instances left their places of employment and gone elsewhere to seek better wages, knowing that the mines in which they were employed could carry on but a short time thereafter. That has had two very material effects. One was to move the mining population out of the places where they had been and could be employed; the other was to make certain to the mine operator that with the lack of employees, with the lack of labor, and confronted with the priority order of March 2, and knowing that his equipment and stock of supplies could last only a limited time, the mine itself would have to close down even before the priority order became effective against him, even before his equipment gave out. That has resulted in throwing out of employment the older miners because of the closing down of the mines.

Then, again, Mr. Chairman, there has come to us, with whatever degree of cogency it may be expressed, many rumors and many reports pertaining to the granting of priority orders. I think it will do no harm, in the presence of Dr. Nelson—and I wish all the board could be here—to discuss these matters. Though we have no evidence to support them, I think they might with propriety be discussed.

Let me give one or two outstanding examples. Two men working on the same dump, handling the same class of ore, the same class of rock, shipping to the same point, by the same method of shipment, both apply for priorities. One is granted, and the other is denied. Naturally, the one denied queries, Why? Then the community starts to query, Why? Then rumors start pro and con. The imaginative individual sees a reason why, and he attributes the reason to divers and sundry causes, none of which reflect credit on the administration of the War Production Board. They may be wild and unwarranted, but nevertheless arising from a condition.

Then, again, we have a rumor that comes to us prevalently, which I seek to bring out, because I think the War Production Board should know these things: That if shipments are made to certain concerns for treatment, priorities are granted. If they are not shipped to those certain concerns for treatment, priorities are denied. Incidents are given relating that condition. Whether there be the least symptom of truth in the matter or not, it is enough, in my judgment, that the Board and Dr. Nelson should be advised of the condition, so that it may be relieved by positive action and positive statement.

Taking the subject from another angle, the priority order of March 2, 1942, states, among other things,

Any plant actually engaged in the extraction by surface, open-pit, or underground methods, or in the beneficiation, concentration, or preparation for shipment of the products of mining activity, but not including any plant more than 30 percent of the production of which in dollar value consists of gold and/or silver.

That order in itself was threatening to the mining industry, where silver was what might be termed a byproduct of the production of a strategic metal, as, for instance, lead or zinc or copper.

True, the atmosphere was very much clarified by the statement of Dr. Nelson, both at Denver and at Reno, in which, among other things, he said that each case would stand on its own footing and that—in substance he said—the 30 percent of dollar value of the product of a mine would not militate against its receiving a priority order if it was producing war strategic metal. That is the substance

of his statement; I do not quote him exactly. With that in mind, many applications for priorities, I am advised, have been made, and many have not been granted, while many have been granted.

My own State reflects a number of applications, and I have had the State mine inspector of Nevada come on here, and I am asking him now to bring his files forward, so that I may use them during the course of this discussion. They show the mines in which priorities have been granted, the mines in which they have not been granted, and the mines that have been closed down by reason of either an apprehension of failure to secure a priority order or the fact that the priority order had not come forward within a reasonable time.

Mr. Chairman, this whole affair comes about by reason of the condition that presents itself to the country—an all-out war condition, demanding that all metal be curtailed in its use as much as possible and allocated to war activity. But the production of strategic metals and war essential metals has been encouraged by the War Production Board, and it was stated here at a meeting held some weeks ago that this priority order of March 2 was for the purpose of stimulating mining rather than for the purpose of curtailing mining.

The result, however, Mr. Chairman, has been to the contrary, because where silver or gold comes in combination with a war strategic metal, and the operator of the mine, having no other basis than the priority order of March 2, 1940, sees that the producing of 30 percent or more of silver or gold, or silver and gold together, cannot get him a priority order, he becomes immediately discouraged, and either his financial backers announce to him that the backing will stop very shortly, or he, realizing that a danger presents itself, together with the hazard of mining—the hazard that naturally attends mining—advises his financial backers that he sees danger ahead by reason of this priority order; and the result is, first of all, a cessation of exploration and development; secondly, a closing down of the mine.

The thought impresses itself upon me that if we are to encourage the production of strategic metals, we should, first of all, encourage it at home here in America, where we know that we have strategic and war essential metals: First of all, because it does not then become subject to hazard on the sea, where so many sinkings are taking place and so much is being lost. We have it within our power, and we know that we can treat it, and treat it much less expensively than we could if we were to ship it from foreign countries. We can treat it with much more security here at home, because it would not, as I have said, be subject to the hazard that attends shipping over the seas.

But, Mr. Chairman, there has come to the attention of some of us the fact that while we are repressing the miner at home by telling him that he cannot have mine equipment, thus discouraging the development of war-essential metals and strategic metals, unhappily, I say, the record shows that we are shipping and transporting across the seas those quantities of mine essentials in the way of machinery and parts. One correspondent in writing to me put it rather vividly. I think you will find it among the reports of the various mines of Nevada that came into the hands of Mr. Murphy, the mine inspector of Nevada, wherein this correspondent said:

We are transporting mine machinery and equipment to South Africa and are then buying South African gold in America at \$35 an ounce. At the same time we are discouraging, if not destroying, mining activity here in America.

Dr. Nelson has heard all these things, and I want to say, Mr. Chairman, that I, as the author of this resolution, express my sincere gratitude to Dr. Nelson for coming here, my thought being this: that now that the priority order has had a reasonable time in which to be tried out, and we find discouragement prevailing in our mining industry, prevailing among the muckers and miners, as we call them, and prevailing among the mine operators, it impressed me that perhaps by a round-table discussion here among those who are so vitally interested in the mining activity, you, Dr. Nelson, and your board could find a way to give greater assurance to our industry of mining and to those who by their individual wealth hazard their all in speculation for the purpose of developing mining or to those who have given their lives to the industry of mining, with no other avenue in which to work, and that other element of the American life, known as the prospector, the fellow who goes out and hazards the hardships of the desert to discover strategic and war essential metal—that all of this might, by an expression that we might develop here or some modification, if you please, of that priority order which has caused so much consternation, bring more comfort and indeed more support to the mining industry of America.

Now, that is the aim and object, Dr. Nelson, so far as the author of this resolution is concerned, of bringing about this meeting. I believe from my discussions with you that you are a friend of the industry, and that your whole training and background indicate that. I believe that if these homely things are brought to your attention in a homely way by those who know them best, something can be done to relieve the situation. I speak first-handedly of my own State, not knowing the conditions in other States. There are those who will speak first-handedly of their respective communities. But there can be no gainsaying that in Nevada the priority order of March 2, 1942, has had a most discouraging effect.

It has required the zeal and diligence of all of us to say to the miners of Nevada that it is not as harsh as it looks; that we will try to work it out for them. "Do not be discouraged. We will try to get a priority order that will relieve the situation for you."

Expressions of that kind have been essential in many instances, in order to keep, first of all, the investor sending on his investment to keep the mine going, in some instances in its primary stages; and secondly, to keep the operator encouraged enough to go ahead; and thirdly, and most essential and vital of all, to keep the actual mining fellow who goes down into the earth at his place of employment rather than have him seek employment at a greater wage.

Now, that is the initial expression of this meeting. Dr. Nelson, that we might have some views on your several months of opportunity to see this order effected, we would like to have you discuss it in your own way.

The CHAIRMAN. Before doing that, will you please state your full name for the record?

STATEMENT OF WILBUR ARMISTEAD NELSON, ADMINISTRATOR, MINING BRANCH, MATERIALS DIVISION, WAR PRODUCTION BOARD, WASHINGTON, D. C.

Mr. NELSON. My name is Wilbur Armistead Nelson.

The CHAIRMAN. What is your address, Doctor?

Mr. NELSON. My Washington address is Temporary Building E, War Production Board.

The CHAIRMAN. What position do you hold in connection with the Government at this time, if any?

Mr. NELSON. I am administrator of the Mining Branch of the Materials Division of the W. P. B.

The CHAIRMAN. Would you state very briefly in what business you have been engaged during the last several years? This is for the purpose of the record, so that anybody who might want to read it will have an understanding of your position.

Mr. NELSON. At the present time I am on leave of absence from the University of Virginia, where I hold the position as head of the Corcoran School of Geology and Corcoran professor of geology.

Before that time I was State geologist of Virginia, brought to Virginia to reorganize the State survey and also to head the School of Geology at the University.

At the university the subjects I teach are economic geology and structural geology, dealing with ore deposits and the mining phases of geology.

Before that time I was State geologist of Tennessee, and before that I operated a coal mine in west Kentucky. During the last war I operated manganese and barite mines in Georgia and Alabama.

The CHAIRMAN. I think that that is sufficient for the record. You may proceed and make such suggestions as you deem proper in reply to the suggestions made by Senator McCarran, doing so as fully as you care to.

Mr. NELSON. I believe that Senator McCarran and I are in considerable agreement in the remarks he has made, that the primary object we must have in mind is to stimulate the production of essential and critical metals. I do feel our mining order has brought that about.

The 30 percent clause which he mentioned has, as far as we know, not brought about any diminution in the output of critical materials. We feel that the output of copper, lead, zinc, chrome, manganese, tungsten, vanadium, molybdenum, and any other critical materials has increased, due in part to the priority assistance which we have been able to give them under the preference rating order P-56 and under the preference rating order P-56A, which takes care of the needs of the makers of mining machinery.

Whenever it is found necessary to give high priorities to any group in order that they may continue to operate, it is necessary to restrict these high priorities, or else they would be of very little value. So, when we were able to get the high-priority ratings of order P-56, as amended on March 2, we got them for those industries essential for

the war effort. In order to make these priority ratings of the most value, they had to be restricted in their use; and as a gold or a silver mine producing only gold or silver, and no strategic minerals, is a mine that does not fit as much into the war effort as a mine producing copper, lead, zinc, or the other metals which I have mentioned, naturally they have to take lower priority ratings.

At no time have we denied priority ratings to any mines in the United States. We have just said that certain mines would have higher priority ratings than other mines, depending on where they fit into our over-all war picture. We have no information that any mine in the United States has shut down due to our priority action. We do have information that many mine operators have turned to the getting out of strategic materials, where they were not producing strategic materials before March 2.

We have at all times since March 2 stimulated prospecting in every way that we could. We have placed in mining order P-56 a clause relating particularly to prospectors, where we can give a bona fide prospector a serial number and whatever priority assistance he needs in order to go out and prospect for needed or strategic materials. We have given a number of such prospecting numbers.

Senator McCARRAN. Right there, Doctor, do you mind an interruption?

Mr. NELSON. Not at all.

Senator McCARRAN. My attention has been drawn to an order with reference to powder, wherein the use of powder will not be accorded unless the mine is in production.

Mr. NELSON. That is an incorrect statement, Senator, that was published by the newspapers. I do not know how it was given out to the press.

Senator McCARRAN. What is the language of the order, if you have that before you?

Mr. NELSON. The trouble came about because we added to schedule A of our mining order, under "Mining equipment and machinery," by an amendment, explosives and explosives equipment.

Some of the press read into that amendment the fact that it meant that you had to have a priority rating in order to buy dynamite or black powder. That misinformation has been corrected by a press release of Tuesday, April 28, 1942, which I would like to turn over to you to embody in the record.

The CHAIRMAN. Without objection, it will be placed in the record.

Mr. NELSON. Would you like me to read the release? It might clarify the situation.

Senator McCARRAN. Yes. It is short.

Mr. NELSON. It reads as follows:

An amendment to preference rating order P-56 issued April 13, 1942, added explosives and explosive equipment to the list of mining machinery and equipment in schedule A of the order. This enables mine operators who have serial numbers under the order to use an A-1-e rating in obtaining repair parts for such equipment.

That means explosive equipment.

To clear up some confusion which has arisen as a result of this amendment, Dr. Wilbur A. Nelson, Administrator of the Mining Branch, explained today that the A-1-e rating is applicable for repairs to blasting machines and similar machinery and equipment, but that the rating may not be used for ordinary operating supplies such as black powder and dynamite, to which the A-8 rating remains applicable.

I have not finished, but I would like to make a remark. The A-8 rating is applicable to black powder and dynamite if any rating is needed. At the present time you can buy all the black powder and dynamite you wish without any rating. To continue:

Mines which do not operate under P-56 may use an A-10 rating under the general repair, maintenance, and operating supplies order, P-100, to obtain explosives.

That is, if they need any rating at all.

The amendment to P-56 does not affect any existing priorities on explosives and explosive equipment, nor does it prevent any mine operator from obtaining explosives in the same way as before the amendment was issued.

I know that there was a widespread misconception throughout the entire country on that amendment. The amendment was added to the order to help mining people, so that they could get repairs or explosive equipment which they had had difficulty in obtaining before that time.

Senator McCARRAN. All right. In keeping with this, Doctor, it might well be said—and I think you will probably concede this—that your order of March 2, which I have introduced into the record, has had a widespread effect by reason of the language used in the order, which apparently is not the interpretation to be given it.

In other words, if I may express it in another way, the interpretation that I have heard you give to that order is really not to be found in the language of the order, because it is specific, and there is no exception to the 30 percent rule.

Mr. NELSON. If you will read the order—and I know you have, so I should not have said, "If you will read the order"; I should have said, "In the body of the order"—there is a clause permitting companies to apply for relief, and it is under that clause that any mine operator who felt that an undue hardship was being worked upon him could apply for relief; and where he was producing any needed amounts of copper, lead, or zinc, he was given that relief, and his serial number was reinstated; or where he might be producing a siliceous ore, needed as a flux in a smelter, so that the smelter operations would not be curtailed in any way, as we had no desire to cut down the production of metals from smelters, such a mine had its serial number reinstated.

Senator JOHNSON of Colorado. Then, Dr. Nelson, giving relief in any specific case is not, in your understanding, a violation of your own order?

Mr. NELSON. No, sir.

Senator JOHNSON of Colorado. Some of our Colorado people seem to feel that the mere fact of your giving relief is a violation of your own order.

Mr. NELSON. Well, we have reinstated the serial numbers of a great many mines throughout the United States, and we feel that we have the right to do that.

Senator JOHNSON of Colorado. Under the order?

Mr. NELSON. Yes, sir.

Senator JOHNSON of Colorado. At this time, Mr. Chairman, may I have Mr. Palmer, who is secretary of the Colorado Mining Association, come to the table, where he may enter into the discussion?

The CHAIRMAN. Yes, indeed.

Mr. NELSON. There are one or two of your items that I have not discussed.

The CHAIRMAN. Yes. We have not finished with you, Doctor.

Senator JOHNSON of Colorado. No. I just wanted Mr. Palmer to be here.

The CHAIRMAN. The Members of the House, if they see fit, may occupy chairs around the table, if they care to.

Mr. NELSON. As I was saying, we have given every priority assistance possible to the prospectors who are prospecting for strategic and needed minerals. We have also used every effort to see that the mines producing critical and needed material get 24-hour service on repair parts for break-downs, for emergency repair parts, and for needed supplies under ratings which they are given under order P-56.

The mining industry is very fortunate, in that it has, I believe, some of the highest ratings that have been given to any industry in the United States, to keep the necessary mines—necessary for our war effort—in continuous production. The record of the mining materials produced by the mines in the United States shows that we have been able to do that in rather satisfactory manner.

The CHAIRMAN. Are there any questions from the members of the committee?

Senator McCARRAN. While the doctor is here, I would like to go over a series of questionnaires answered by the industry in Nevada. The questionnaires were sent out by the mine inspector of Nevada, and the answers received are quite interesting along the line of your discussion and my opening remarks.

Mr. NELSON. Yes.

Senator McCARRAN. This is a statement made by a partnership known as Morrin & Steigmeier, operating at Round Mountain, Nev. The former serial number under P-56 was the serial number 36-47. Rating A-8.

What effect has the March 2 amendment to Preference Rating Order No. P-56 had on your mining operations?

This is an interesting answer, Doctor:

Capitalists contemplating money-advancements (for improvements and development work) quit; miners foresaw a shut-down and several quit at once to seek stable positions, and "the drifting-away" has been going on ever since until now we have less than half a crew, and others are not available because miners have concluded their work has been condemned as unnecessary and "black-balled" and that any gold or silver mining job now offered them will at best be a "short shift" only. They know we can not buy necessary parts for drilling machinery, et cetera, to keep going.

Then he goes on:

We are still operating on a greatly reduced scale.

Then there is this question:

Do you expect to shut down because of not having a serial number?

The answer is—

Yes.

If so, about what date?

Within 60 days.

Remarks: Steel under lend-lease for England so that South Africa, which produces about 60 percent of the gold, can continue and sell its output to this Government for \$35 per ounce; but no steel for native Americans on the deserts and in the mountains of Nevada. Mines shutting down, works being flooded that never

will again be pumped out; whole communities thus being wiped out; the workers added to the rapidly rising nomadic types, and the capitalist's fortune confiscated without a hearing. This isn't war. When all the United Nations shut down their gold and silver mines (not on paper but in fact), we American miners are willing to shut down too—not before!

That is dated April 24, 1942.

Mr. NELSON. As you read each one of those, may I make some remarks, Senator?

Senator McCARRAN. Yes; that one is in minerlike fashion.

Mr. NELSON. The Mining Branch has not approved any priority ratings to any of the gold mines of South Africa for several months. If they have obtained any materials it has not been through the Mining Branch.

Senator THOMAS of Idaho. Have we exported mining machinery to South Africa in the last few months?

Mr. NELSON. If it has been done, it has been done through the Board of Economic Warfare, and it is the foreign policy of the President, and I endorse his foreign policy.

Senator THOMAS of Idaho. Then, we are to assume that the exportation is probably going on at the present time?

Mr. NELSON. If it is going on, it is the foreign policy of the President, and I endorse that policy; but the Mining Branch has not given any priorities.

Senator THOMAS of Idaho. That does not answer my question. My question is, Is it going on?

Mr. NELSON. I cannot say, because I have nothing whatever to do with the B. E. W.

Senator THOMAS of Idaho. Are those facts available anywhere?

Mr. NELSON. You would have to get those from the Board of Economic Warfare, which is not under the W. P. B.

The CHAIRMAN. But it is a fact, is it not, that America—meaning the United States—produces and supplies the mines of the world with a very large percentage of their necessary machinery with which to mine?

Mr. NELSON. We are giving priority ratings at the present time to to copper mines, tin mines, and chrome mines in South Africa for materials shipped to the United States.

We are giving priority ratings to copper mines in South America on which we are dependent for a large proportion of our copper, and without which our war effort would be seriously impaired.

The CHAIRMAN. What about Mexico and Canada?

Mr. NELSON. We are giving priorities to the main source of tin today, which is Bolivia. We are giving priorities to metal mines in Mexico and the nickel mines in Canada, Canada being our one source of supply, practically, of nickel, except for some that comes from New Caledonia, and to the base-metal mines in Canada.

We have never given a serial number to any gold mine in Canada, with one exception, if you wish to call the siliceous flux mine of the Norrando Copper Co. a gold mine. It is where they get their flux for smelting their copper ore.

We have given priority ratings, under the foreign policy of our President, to mines in Central America—Nicaragua and Honduras—and to mines in Venezuela and Colombia, all of them close to the Panama Canal.

Senator McCARRAN. Their product is largely what? 2

Mr. NELSON. In those four countries they are gold mines, but they have only been given items on PD-1-a forms, which are available to every gold mine operator in the United States today. We have told every gold mine operator that he can operate under P-100 with an A-10 rating for what he could get on an A-10 rating. When he could not get anything on an A-10 rating, he was to fill in a PD-1-a form and send it in to Washington, and we would do what we could to see that he got the repair parts he needed, if it did not interfere with our war effort, and that is exactly the same thing we have done in the Mining Branch with the mines, for instance, of the United States to which we have given ratings on such forms.

The CHAIRMAN. Are there further questions?

Senator McCARRAN. I may say, Mr. Chairman, as a partial answer to Senator Thomas' question, that I have before me the record made at Denver, Colo., at which place I had inserted in the record, pursuant to the chairman's order, certain factual matter coming to me from departments of the Government.

Partially answering Senator Thomas' question, it may be noted that during the months of October, November, and December of 1941 we exported mining machinery from the United States: In October to the value of \$1,843,454; in November to the value of \$1,236,186; and in December to the value of \$2,174,673.

The commodities or the parts or the machinery transported were coal cutters, rock drills, mine hoists and derricks, ore crushing and sorting machinery, concentrating and smelting machinery, and other mining machinery.

Then, in addition, and in further answer to Senator Thomas' query, the grand total of that for the 3 months named was \$5,254,313.

Iron and steel exported from the United States abroad: In November we exported 410,242 gross tons. In December we exported 592,491 gross tons.

Iron and steel scrap exported from the United States in the calendar years 1939, 1940, and 1941: In 1939, 3,558,551 gross tons; in 1940, 2,791,419 gross tons; in 1941, 793,160 gross tons.

There is one other matter. If you do not mind our breaking in as we go along, I think it will facilitate the whole matter.

Mr. NELSON. I am here at your service.

Senator McCARRAN. You are always very courteous in that way.

Mr. Chairman, would it be proper for you to say if you approve of anyone who is interested in this subject breaking in by way of a question or a statement to the doctor? I just make that as a suggestion.

The CHAIRMAN. This committee is trying to get data on which we can formulate some conclusions. This is an informal conference. Those interested are privileged at any time to break in and bring out some point if they think it would add to the record.

Senator MILLIKIN. May I ask the witness a question, Mr. Chairman?

The CHAIRMAN. Yes, Senator Millikin.

Senator MILLIKIN. Dr. Nelson, I am glad to see you again.

Mr. NELSON. Thank you.

Senator MILLIKIN. What was the factual basis for the orders? What were you trying to get at? How much metal were you trying to save? How much were you trying to divert? In other words, why the orders?

Mr. NELSON. In the explanation which I just made, I stated that when you give high priority ratings to any group, you must restrict the number of miners that can get those ratings, or else your ratings have little value.

In the beginning of the mining priority situation, the first time a mining order was issued we restricted, right at the beginning, in the first order, placer gold mines, and they never received any of the priority ratings under even the first order, P-56. But that did not mean that the placer gold mines were put out of business. They continued to operate on P-100 and to use the PD-1-a.

Senator MILLIKIN. I did not make my question clear, I think. Prior to the date of the issuance of the orders, the mines were proceeding with certain production, they were proceeding under certain production machinery, and they were proceeding under certain anticipated requirements, so far as machinery was concerned. Now, then, what was the reason for changing that?

When I say there probably was a factual reason, I hope there was. You intended to gain something. You intended to gain enhancement of strategic material, or you intended to restrict the manufacture of certain types of machinery. There must have been a purpose for the order. I would like to get at the basic reason for the order.

Mr. NELSON. The order we were operating under before the amendment of March 2 was in existence before December 7. After December 7 our condition changed rather rapidly in regard to strategic materials.

We lost the source of supply of a large amount of our chrome, and those of us who were looking forward could visualize that we would rather soon lose the sources of supply of many other of our most strategic materials. Therefore, we amended this order to restrict high priority ratings to mines which produced critical materials.

We also amended the order because we found it necessary to have high priority ratings if the mines producing other materials needed in our war effort could get those materials. Ratings in the old order were not high enough around the 1st of March to permit us to get for the United States mines what they needed. In order to get the higher ratings, it is necessary to restrict the use of those ratings.

Senator MILLIKIN. Now, on balance, were the mines of the United States producing more critical minerals let us call them, than they were consuming?

Mr. NELSON. If the mines of the United States were not producing more critical minerals than they were consuming, it would have been foolish to give the mines any critical materials.

Senator MILLIKIN. So that, on balance, the mines were holding up their end of the production needs?

Mr. NELSON. If it were not for the mines we could not have any war program.

Senator MILLIKIN. In Colorado I understand we consume about 2,500 tons of critical minerals in the process of mining, and we produce about 35,000 tons a year.

Mr. NELSON. Yes.

Senator MILLIKIN. That leaves us with a good picture on balance. The point I am driving at is, What is the point of disturbing that sort of situation?

Mr. NELSON. We must look at the over-all picture. It is a question of, Do you wish to make another tank, another gun, part of another vessel, by taking a critical material away from a mine producing something that is not essential in our war effort, by putting it into another product which is essential to winning the war and in that way ending the war that much sooner?

Senator MILLIKIN. Let us take the case of complex ores which are producing more than 20 or 30 percent in silver or gold. In Colorado the amounts on balance of the critical materials of complex ores exceed many times the amounts that are consumed. What is the point of disturbing a situation of that kind?

Mr. NELSON. I do not quite understand your reasoning there. The iron and steel furnaces use a certain amount of iron and steel in producing iron and steel, but you would not expect to use up all the iron and steel in making them. There would not be any use in producing iron and steel if that were so.

Senator MILLIKIN. I am making the contrary point that, instead of using it up, they produce many times the amount that they use up.

Mr. NELSON. That is correct, but we want to conserve as much as possible of the material that is used for direct war efforts; and if we can keep a few pounds, a few hundred pounds, a few thousand pounds of critical material out of a nonessential war use and put that amount, however small it may be, into the making of some direct war implements, we feel we have just carried the war along faster and into a better conclusion.

Senator MILLIKIN. These complex ores, copper, lead, and zinc, are what we call critical materials?

Mr. NELSON. Copper, lead, and zinc are materials necessary for the war effort.

Senator MILLIKIN. Well, then, let us call them critical materials. If we produce more of those than we consume in the process of production, why disturb that situation?

Mr. NELSON. If those particular critical minerals are being produced irrespective of the amount of gold and silver produced along with them, they are still today having the priority advantages of the mining order we are discussing. They are not disturbed.

Senator MILLIKIN. But if they have over 30 percent in silver or gold, then, under the terms of the order, they cannot get the preferred priority, under your interpretation of the terms of the order? Depending upon the state of your liver, you can restore them?

Mr. NELSON. Well, Senator, I suppose you and I both have livers, but I do not think mine would cause me to make or not make a decision. I have tried to base my decisions on the facts that have been sent in by the mines—definite facts that can be checked and are checked by the mining engineers in my office.

Senator MILLIKIN. Can you not get out a set of orders that will state it by classification, or by some sort of definition, in a way that a man can tell whether it will receive a preferential priority or won't receive it?

Mr. NELSON. You have mentioned the fact that these are complex ores.

Senator MILLIKIN. I am speaking in the first instance of complex ores.

Mr. NELSON. The fact that they are complex ores means that each mine is a particular problem all its own and generally differs from every other mine. Therefore, it is necessary for us to review in detail the situation of each individual mine, to see what they produce and how it affects the war effort, before we can consider the reinstatement of a number which has been withdrawn.

Senator MILLIKIN. Well, now, let us take two mines. Both of them produce over 30 cents on the dollar in silver or gold and produce other minerals with it. How do you proceed to choose between one and the other?

Mr. NELSON. We send them a form, which they fill in, showing just what they produce—copper, lead, zinc, gold, and silver. Other data that we ask for on that sheet are their known ore reserves, how long they have been in operation, and their full mining picture; and if that full mining picture shows that the mine can operate for a year or more and that the amount of copper, lead, or zinc that they are producing is needed in the war effort, we reinstate their serial number, irrespective of the amount of gold and silver they are producing.

Senator MILLIKIN. What is the test as to the amount? If the amount they are producing aids the war effort, they are reinstated. What is the amount? What is the test that is arrived at?

Mr. NELSON. It depends on each particular case. You cannot give a figure of X number of hours, because X number of hours in one mine might mean something and X number of hours in another mine might not mean anything.

Senator MILLIKIN. I would like to have the factors that in one case mean something to you and in the other do not mean anything to you.

Mr. NELSON. The only way we can answer that is by the individual sheet of each mine which we have gone over thoroughly. It is gone over thoroughly by the mining engineers in our branch. If it is copper, we check with the Copper Branch of the W. P. B. and get their opinion. If it is lead, we check with the Lead Branch of the W. P. B. If it is zinc, we check with the Zinc Branch of the W. P. B. We use our combined best judgment in each individual case.

Senator McCARRAN. Pardon an interruption, Senator. In a combination of that kind, where zinc and silver are being produced, how does the amount of silver produced by that mine militate against the activity of the mine producing zinc?

Mr. NELSON. I did not understand your question.

Senator McCARRAN. Well, let us say we have a mine that produces zinc and silver in combination. Now, under your order, if it was producing 30 percent or more by dollar value of silver, it would not get priority, but you say that that is to be modified or is modified in the way you exercise your judgment. How does the amount of silver which that mine produces militate in any way against its production of the more strategic metal or essential metal, zinc?

Mr. NELSON. May I use as an example a mine that we all know? That is the Sunshine mine, which is the biggest producer of silver in the United States. It is producing antimony, or will be very shortly, at the rate of about 70 or 80 tons a month. The Antimony Section told us that antimony is essential for the war effort. They cannot get that antimony out unless the mine continues in operation. Therefore, that mine has a serial number and is operating, because the antimony is needed in our war effort.

Senator MILLIKIN. Pardon me, Senator.

As to lead, zinc, or copper, where it is in combination with gold or silver of more than 30 cents value on the dollar, is the test quantitative?

Mr. NELSON. If you just had copper or if you just had lead and silver and nothing else, we might be able to work out some definite X-plus-Y figure, but the fact that you have copper, lead, zinc, and you have antimony mixed with gold and silver makes it, as far as I can see the picture, impossible to use any formula on which you can reinstate a mine. Each mine has to be handled on its own merits.

Senator MILLIKIN. Do you arrive at any relationship between the amount of zinc, lead, or copper produced in complex ores by any particular mine against the amount of critical metal that that mine consumes in the process of production?

Mr. NELSON. We arrive at that under the provisions of the order. We give the serial number back to the mine. We give them a quota for repair parts which they cannot exceed. We also have an inventory restriction clause in the order that they cannot exceed their inventory of the average of the end of the year of 1938, 1939, and 1940. They make monthly reports to us that our field men check.

Senator MILLIKIN. Let me put it to you this way: Assume two mines, each one of which requires a given piece of machinery, one of which produces X quantity of zinc, lead, and copper, one of which produces one-half of X. Does the difference in the amount of production against the requirement of each mine for the same piece of machinery weigh in your mind?

Mr. NELSON. If there was only one machine and both of the mines wanted it, the mine producing the X amount would get the machine.

Senator MILLIKIN. Would you say that the most important single factor, then, is the amount of critical minerals that a given mine produces?

Mr. NELSON. The amount of critical minerals that a mine produces naturally is the important factor, irrespective of the amount of gold and silver it produces.

Senator MILLIKIN. So that, then, under the operation of these orders, as far as I can see now—I am not raising the question now as to whether or not it should be done—in the course of time the tendency of these orders will be to put all of the small producers out of business? Will that not result?

Mr. NELSON. As materials get more and more critical we have to give priority ratings on those materials or allocate them, when we come to allocation, which I think we will have to come to, to the mine where the particular machine will get out most of the critical material, and the mine that gets out less material, if there is only one machine, will not get that machine.

Senator JOHNSON of Colorado. May I inject an illustration at that point, Senator Millikin?

Senator MILLIKIN. Certainly.

Senator JOHNSON of Colorado. Suppose you had two mines, each producing X amount of vital or essential minerals, each of them producing exactly the same quantity, but each of them producing a different quantity of silver or gold. In that case which mine would get the priority?

Mr. NELSON. Well, if one mine was working two shifts and the other was working one shift, the two-shift mine would get the priority. Senator JOHNSON of Colorado. Regardless of the amount of silver produced or the amount of gold produced?

Mr. NELSON. Yes.

Senator JOHNSON of Colorado. You ignore entirely the amount of gold and silver produced?

Mr. NELSON. That is correct, because the two-shift mine would be producing twice as much of the critical material per week, although it had the same percentage of critical material in the ore.

The CHAIRMAN. Suppose a mine was working three shifts and produced the same amount of critical material as the mine working one shift. Would the fact that a mine was working three shifts have any effect on the priority rating?

Mr. NELSON. Perhaps I was misunderstood in what I said. Senator JOHNSON, as I understood, said that a man had an X percentage of copper, lead, and zinc and an X percentage of silver and gold, and that another mine had an X percentage of copper, lead, and zinc and 2X percentage of silver and gold. Senator JOHNSON wanted to know who would get the machine. I said the mine working two shifts would get the machine, because, although the ore had the same percentage of critical materials, it would be producing twice as much as the other mine, because it was working two shifts.

The CHAIRMAN. Let me ask my question again. Suppose X mine works one shift and produced X amount of critical material. Another mine produces the same amount working with three shifts. Would the fact that it works three shifts have any influence in giving it the priority rating as against a mine working only one shift, when it produces the same amount of critical material?

Mr. NELSON. Both mines would probably have priority, but if the time came in the months to come when we had only one machine to go to the two mines, and it took three shifts in one mine to get out the same amount of material that could be gotten out in one shift in the other mine, we would certainly see to it, if we were that hard up in this country, that the mine working on one shift would go on a two-shift basis and get the machine, because it would then be producing twice as much of the critical material.

Senator MILLIKIN. I should like to ask, Senator Thomas, if I may, a question.

Then, how did you arrive at 30 percent as the dividing line?

Mr. NELSON. The 30 percent in the amendment of March 2 was the amount used in order that we could get complete information on all the gold and silver mining operations in the West, so that we could see which of those mines were essential for our war effort.

Senator MILLIKIN. It was merely a reference point?

Mr. NELSON. It was just a reference. We might just as well have used 50 or 40 percent.

Senator MILLIKIN. Do you have that order before you?

Mr. NELSON. No; I do not.

Senator MILLIKIN. I should like to invite your attention, Doctor, to the fact that nowhere in this order do these particular matters

that we have been discussing appear. The paragraph in question says:

"Mining enterprise" means (i) any plant actually engaged in the extraction by surface, open-pit, or underground methods, or in the beneficiation, concentration, or preparation for shipment of the products of mining activity, but not including any plant more than 30 percent of the production of which in dollar value consists of gold and/or silver.

I should like to suggest, Doctor, that we have been talking about something here that is entirely at variance with the absolute terms of that order.

Mr. NELSON. You have a paragraph further on in the order that permits a person to get relief by applying to Washington for that relief, and it can be granted, which means that that serial number can be reinstated, and it would be relief to him in that way.

Senator McCARRAN. Right there, Doctor, going back to the 30 percent, would you say that that was a figure arrived at rather haphazardly or was there a specific reason for the 30 percent?

Mr. NELSON. I do not think it would have made any difference whether you had 30 percent, 40 percent, or 50 percent in the order. My wish was 50 percent. The figure put in finally was 30 percent. I do not think it would have made any difference whatsoever whether 50 or 30 percent was going into the order.

Senator McCARRAN. Who finally decided the difference in judgment between you and somebody else?

Mr. NELSON. All orders that originate in a section go to the clearance committee. The clearance committee has on it the representatives of the Army, Navy, and Munitions Board and other Government agencies.

Senator McCARRAN. Were you on that board?

Mr. NELSON. No; I am not on that board.

Senator McCARRAN. I am trying to get at how that 30 percent crept in and why silver and gold were penalized in the way in which they were by the language of the order.

Mr. NELSON. Well, silver and gold as silver and gold are not essential for our war effort.

Senator McCARRAN. This is since the order was written, but the Treasury has decided otherwise and has authorized some 40,000 tons of silver to take the place of strategic metal only in the last week or so.

Mr. NELSON. I made a suggestion at the Reno meeting that silver could be used for bus bar. That is not domestic silver but foreign silver that was brought in at 35 cents an ounce.

Senator McCARRAN. It is domestic silver, because it is silver that has real seigniorage in the purchase of silver at 71.1 cents.

Mr. NELSON. Well, then, part of it is domestic and part foreign.

Senator McCARRAN. Maybe part of it is foreign, but that brings us down to this proposition. Since the writing of the order I think it may be well for you to consider that the commercial value of silver, the strategic value of silver, the essential element of silver, in war activity has now put it into a place where it should not be penalized any longer.

Mr. NELSON. I mentioned, as I said, at the Reno meeting that I thought we could put silver on a war basis by starting to use it in bus bars. No answer of any kind was made to my suggestion. It was dropped immediately.

Senator McCARRAN. It was probably regarded then as largely academic, but since then it has become quite practical.

Mr. NELSON. Very good.

Senator JOHNSON of Colorado. Because it has become practical are you giving that consideration in the assignment of priorities? Has that had any affect on you? You say you refer zinc to the Zinc Section and copper to the Copper Section. Now, do you refer anything to the Silver Section to see whether they need the silver?

Mr. NELSON. Well, the mines that are using appreciable amounts of silver are also producing needed critical materials. They have had their serial numbers given back to them before this thing came out publicly in the press. As I mentioned, the Sunshine mine, which is one of the largest producers of silver, had their number reinstated almost immediately, because the amount of antimony they produced was essential in our war effort.

Senator JOHNSON of Colorado. I have some other questions, but I did not want to interrupt Senator Millikin. He has a chain of thought there that he perhaps wanted to develop further.

Senator MILLIKIN. Senator, there was one angle of the question that I wanted to develop a little further, but I shall gladly yield.

Senator JOHNSON of Colorado. No. Go ahead.

Senator MILLIKIN. On mines that produce purely silver and gold, not in combination with any of these critical minerals, has thought been given to the general economic consequences of closing down those mines through a lack of essential priorities? Take a community the whole of which lives around a mine and depends upon the mine, the schools of which and the hospitals of which and the facilities of which and the whole life of which is tied up with a pure gold mine or a pure silver mine. Has thought been given to the effect of striking down a mine of that kind, which is to say to strike down a community by denying it essential priorities?

Mr. NELSON. None of us have any desire to strike down a community.

Senator MILLIKIN. Oh, I understand that, but what weight is given to that factor in the problem?

Mr. NELSON. We have human casualties and business casualties in every war. We abhor the whole thing, but if it is our duty to see that critical minerals get into the war effort as quickly as possible, we have to do everything we can in the little niche in which we are placed to see that that takes place.

Senator MILLIKIN. There is not the shadow of disagreement between us on that, except in the over-all analysis it might be questioned whether it is wise to produce an extra tank to blitzkrieg a foreign community when by so doing we blitzkrieg a community of our own.

Mr. NELSON. The priority ratings that were denied in the mining of silver in the amendment of March 2 did not shut down any mine. It did not say that any mine would not get priority assistance. It just said that those mines would not get the high priority ratings that had just been put in order P-56 by amendment. They had never had them before, when they were working under the order before it was amended, when it had lower ratings.

Those mines are operating under P-100 today, and as I said, I do not know of any mine that has shut down due to priority action or under the use of PD-1-a's, which they can use when they cannot get

the repair part they want on an A-10 rating. So the fact that they are sending in PD-1-a's and we are processing them for them I think indicates and shows that we have no desire to shut down and destroy any community.

Senator MILLIKIN. Well, I should suggest that when you take the preferential priority and toss it out for a general blanket priority, where one business controls the life of a whole community, and that business is dependent upon that general priority, which we know is not quickly available, if available at all, you are in fact granting no relief.

What I am driving at, Doctor, is this: In the same sense that you are construing this order and granting exceptions to this order, is it not possible, where a community—the whole economic and social life of a community—is stricken down by denial of a preferential priority, even in the case of a silver or gold mine, to take a common-sense view of that and arrive at some practical solution that will keep these people going, rather than to dump them into a general category which means no relief?

Mr. NELSON. There has been no community entirely stricken down yet.

Senator MILLIKIN. It is slow paralysis.

Mr. NELSON. You are anticipating something that has not happened.

Senator MILLIKIN. Every businessman, as you know, Doctor, must look to the future in his budget, in his future plans, in his employment plans. These communities that are dependent upon these single mines must make their hospital arrangements, their school arrangements, their whole municipal budget arrangements. When they are confronted with an order which is not strangling them today, but will in 6 months or a year from now, the practical businessman looks to the end effect and tries to avert it.

Mr. NELSON. We are living under war conditions, which are very abnormal conditions. My reports from the West indicate that the major problems of the mines of the West today are labor problems and not so much priority problems.

Let us take as a pure example of a gold district the mother lode of California. There are roughly 50 mines operating in the mother lode. Only 9 of those ever had a serial number under P-56. Yet they were all operating on March 2, and they are all operating today, except the Argonaut mine, which was shut down not for priority reasons.

Senator MILLIKIN. That is in the same sense that every automobile is still operating on its rubber, but every prudent operator of an automobile knows that that rubber is going to wear out.

Mr. NELSON. Oh, no. You cannot get another rubber tire. You do not have any PD-1-a's you can fill out and get another rubber tire. You are not permitted to fill one out for a rubber tire.

Senator MILLIKIN. I am saying to you that the last priority order is so uncertain that it amounts to nothing tangible.

Mr. NELSON. If you saw the thousands of PD-1-a's which come through the W. P. B. and which are processed and on which ratings are given and on which industries are operating successfully today, I believe I could convince you that a PD-1-a is a very tangible thing for getting a good priority.

Senator MILLIKIN. I have yet to find a businessman who agrees with you.

Mr. NELSON. I can show you a number of mine operators throughout the United States who will tell you that the PD-1-a's that we have handled in the mining branch have helped them definitely.

Senator McCARRAN. May I interrupt to read a letter that I have received from the Industrial Accident Commission? I will read it because it pertains to the mine you have mentioned, the Argonaut, and the Grass Valley district:

In reply to your letter of recent date requesting information concerning the effect of the priority order of March 2, 1942, upon the mines of California, I may say that in a number of instances where mines had been struggling along under adverse labor conditions and low-priority classification, the March 2 decision undoubtedly influenced their decision to cease operations. In other instances that decision had been reached before March 2. In most cases however, the break-down of a piece of major equipment would have tied up the job indefinitely.

Among the larger mines of this State the following, due to a combination of circumstances, are now idle, or practically so. It is impossible to say to what extent priorities are a factor in their closing: The Argonaut Mine; the Kennedy Mine—

Mr. NELSON. May I interrupt you a minute with reference to the Argonaut mine?

Senator McCARRAN. Yes.

Mr. NELSON. I would like to insert in the record the financial report for the year ending December 31, 1941, of the Argonaut Mining Co., Ltd., showing they had a net operating loss of \$38,036.34, as the answer to the reason why the Argonaut mine was shut down.

(The document referred to is as follows:)

Argonaut Mining Co., Ltd., income account for the year ended Dec. 31, 1941

	Amount	Per ton milled (\$7,300 tons)
Argonaut mine operating income:		
Gross production.....	\$624,774.86	\$7.16
Less: Refining and treatment charges.....	14,058.08	.17
	609,816.48	6.99
Argonaut mine operating expenses:		
Mining (including development).....	495,290.62	5.71
Milling.....	77,255.63	.89
Depreciation.....	14,314.37	.16
Taxes (other than Federal income).....	31,600.30	.36
General and administrative expenses (including misc office overhead less overhead charged to Plymouth tails operation).....	25,482.88	.30
	647,852.82	7.42
Argonaut mine net operating income (loss).....	58,148.34	.43
Plymouth tails operating net income.....	18,807.21	
	16,229.15	
Plymouth (Empire) mine development expenses.....	33,314.26	
Total net operating income (loss).....	68,547.59	
Other income:		
Dividends received.....	54,075.00	
Interest on bonds.....	1,530.00	
Miscellaneous.....	2,970.85	
	58,575.85	
Other deductions: Federal income tax.....	6,032.46	
	292.00	
Net income before depletion.....	5,739.85	

Senator McCARRAN. I doubt that that is the reason, however, because the Argonaut mine is in a peculiar belt where they produce spasmodically. The next month they may have—

Mr. NELSON. That is their year's operating loss.

Senator McCARRAN. That may be true.

Mr. NELSON. And I think they were glad, maybe, to have an excuse to shut down.

Mr. ENGLEBRIGHT (Congressman from California). I do not want to dispute the doctor, because I know he is well versed in his facts and figures and has studied this matter very thoroughly. I have had the pleasure of discussing it with him on many occasions, but I would like somewhat to add to what Senator McCarran has said. Many of the mines in our State, such as the Mother Lode, for a number of years, in different periods of our history, have operated with an absolute net loss to the extent perhaps of several million dollars, but operations have been continued. New ore bodies have been discovered and they have entered into periods of very profitable operations. Of course, that has to be under conditions when the operator knows he is going to be able to follow up his operations, so that he can do his exploration work.

Mr. NELSON. But you do not believe that is true of the Argonaut?

Mr. ENGLEBRIGHT. I could not say, Doctor, whether that is true or not. The Argonaut has had many periods of depression; it has had many periods of profitable operations.

Senator McCARRAN. This letter continues:

The Argonaut mine, Jackson; the Kennedy mine, Jackson; the Keystone mine, Amador City; the Sheepranch mine, Sheepranch; the Walker mine, Walker; the Scotia mine, Grass Valley; the Murchie mine, Nevada City; the Zeibright mine, Emigrant Gap; the Pennsylvania mine, Browns Valley; the Virgilia mine, Virgilia; Le Roi mine, Mokelumne Hill; the Mountain Copper mine, Iron Mountain, Calif.

The New Brunswick mine at Grass Valley is reported to be shutting down and the Central Eureka at Sutter Creek is greatly curtailed.

You are, undoubtedly, familiar with the situation with regard to California mining districts. A number of mines are very deep. The Argonaut and the Kennedy being over 5,000 feet in depth. If one of these closes, it means that the other will be faced with the problem of maintaining both mines to keep the water out and provide an emergency exit. Most California mines do not have large financial reserves to tide them over periods of protracted idleness so the result will be that if they be allowed to fill with water, they may never reopen due to the terrific cost of unwatering and rehabilitation of the property.

On the Mother Lode and in the Grass Valley district, a shut-down of major operators would create a very serious condition. There are many miners, and good ones, in these districts who are between 50 and 65 years of age who know only mining and who would be thrown out of employment. Speaking generally, that class would not fit into the program for war industries that might easily absorb a group of younger men. Also, such wholesale shut-downs would create ghost towns of a good many cities like Grass Valley, Jackson, Nevada City, and others. While the production of gold for the sake of the metal can easily be dispensed with for the "duration," the problem is bigger than that and should receive every consideration consistent with our chief aim at this time—a quick and decisive victory.

This information is necessarily sketchy. Lack of time precludes a more extensive inquiry into the subject. However, if I can be of further assistance, let me know.

Very truly yours,

C. H. Fry,
Chief, Industrial Accident Prevention Bureau.

You are undoubtedly familiar with that problem of the Mother Lode mines?

Mr. NELSON. Yes.

Senator McCARRAN. It presents a serious problem in that, just as Senator Millikin and Senator Johnson have referred to, whole communities, where for many, many years they have depended on the activities of these mines, although some of them were working at a loss, will be blacked out, if I may use a very homely expression.

Mr. NELSON. As I said, only nine of the fifty-odd mines have ever had serial numbers under P-56, and they were operating without serial numbers before March 2. That means that they were operating under P-100 with an A-10 rating and used a PD-1—a form and were operating satisfactorily. Remember, just nine out of the fifty-odd mines had any serial numbers under P-56. Forty-one of those mines were operating without the priority benefits of P-56 and had never had them, and yet they had not shut down and were operating along satisfactorily.

Senator McCARRAN. That emphasizes the point that I tried to touch on, Doctor, in my brief opening statement. I do not believe that your board, and even you, with your wide grasp of the subject, fully catch the significance or the psychology of this problem. Here in various places throughout the United States are offers made to the workers to go to work at very enticing wages, and here is a mine in which perhaps the worker has been engaged for many years, but he has been advised that there is a threat over that mine, and perhaps he reads the language that we have in this order of March 2, and he says, "Well, this is not going to last very long. They have supplies on hand for only a few months. I am going to the coast while the going is good."

That is what is referred to in this letter from California, where it has fallen back on the 55- and 60-year-old men to carry on, and they cannot demand the big wages. The young fellows have gone, and hence there is a curtailment of the supply of labor.

Therefore, Doctor, those two elements—your priority order of March 2, which in turn had its influence on reducing labor, and the reduction of labor itself or the scarcity of labor—have in many instances brought about the shutting down not alone of precious-metal mines but also mines having precious metals and strategic materials in combination.

Mr. NELSON. May I answer?

Senator McCARRAN. Yes, indeed.

Mr. NELSON. I had a long-distance call from the Governor of Idaho a few days ago. Seventy miners had left their mines to go to the coast, where high wages were paid. Those mines had their serial numbers; priority could not have entered into the question at all.

The over-all labor question of men leaving mines to go to the coast it does not seem to me should be confused in any way with whether a mine had a serial number taken away from it and had it reinstated. It is just a general movement which is going to result in a shortage of labor in the mines producing materials that we need the most, if something is not done.

Senator McCARRAN. I am afraid you are looking at it from a brief circumspect; you are not looking at it from the broad field.

Mr. NELSON. I am looking at it from the broad field. There is a statement from the Governor of Idaho of miners leaving mining districts.

Senator THOMAS of Idaho. The statement you made is not only true of mines but of farms. The dairymen and the farmers are losing their help. It is curtailing production. It is a terrible situation.

Mr. NELSON. We should not mix up the labor problem with priorities. They are two different problems.

Senator THOMAS of Idaho. It should be taken care of.

Senator McCARRAN. You won't get mining management to agree with your last statement that priorities have nothing to do with migration of labor, because all the letters I get are to the contrary.

Senator JOHNSON of Colorado. Dr. Nelson, I am quite interested in the experience that you have had since March 2 with relief and with the granting of priorities. I mentioned that the March 2 order withdrew priorities of 66 mines in Colorado; that since that time 28 of them have been granted relief; that 38 have not been granted relief; that only 7 of them are strictly gold-mine operations.

Now, I do not know that any of the 38 have been denied relief. I notice you said a moment ago that priorities had not been refused to anyone as yet. But what are the prospects of those 38 mining operations in Colorado being granted relief?

Mr. NELSON. I would first like to know how many of the 38 that have not been granted relief have furnished us complete information on what they are producing. Then I could answer your question. But until I knew that, I would not be in a position to answer your question.

The reason I say that, Senator, is that a fair number of mines in the West that have never replied when we have written to them to send in the data we requested to see whether or not we could give them relief. Until we do get that information, we cannot act.

Senator JOHNSON of Colorado. Of course, until you get the information you have requested and until they apply, why, quite naturally, you cannot afford them relief.

Mr. NELSON. I was hunting for this sheet while you were talking. My figures for Colorado are these: There were 61 withdrawn. There were 27 reinstated. There were 39 not reinstated. There were 5 whose numbers were not withdrawn, because we had information on them to start with.

Senator JOHNSON of Colorado. Your number 61 is not correct, because you had 27 and 39, which would bring the number to 66, which is the number I gave.

Mr. NELSON. The 61 withdrawn plus the 5 not withdrawn make 66.

Senator JOHNSON of Colorado. I would like to have you develop something along the lines of what these other mines may expect if they do apply for relief.

Mr. NELSON. We will be glad to review each case very critically and very fully and very sympathetically.

Senator JOHNSON of Colorado. Are you acting sympathetically and generously with these applications where they produce vital and essential and critical materials?

Mr. NELSON. We are acting sympathetically with everyone. A person cannot act generously during a war effort if they are going to

carry out the duties they are supposed to have imposed upon them. We have to be sympathetic, but we have to hew to the line and do what is best to the war effort.

Senator JOHNSON of Colorado. Of course, priority takes in the element of preference just naturally, but you weigh your priority against their performance?

Mr. NELSON. Yes; we do.

Senator JOHNSON of Colorado. Now, we have, as Senator Millikin pointed out, exclusively gold operations in Colorado. There are very few of them. I was quite pleased to hear you say a moment ago that you had not shut the door on any kind of mining operation as yet. Did you mean where only gold is mined?

Mr. NELSON. I mean that any operator operating a 100-percent gold mine is still operating under P-100 and has the privilege of sending in PD-1-a ratings for items that need a higher priority rating than he can get under P-100.

Senator JOHNSON of Colorado. Is he actually able to get priority assignments?

Mr. NELSON. They have in the past, but remember this: that if they were operating under P-56 they could buy, in a blanket way, repair parts without having them scrutinized and clearing them through Washington. Today they have to come in to us for each item they need as they need it, and they have to show that they actually need it.

We have got to know that the pooled resources of a gold-mining district cannot take care of a needed part when it is needed. I have a list here of items bought by a number of gold mines in the West before their numbers were taken away, and practically everything they bought is of a most critical nature today. For instance, here are machine bolts, chains, key stock, files, pipe dies, fuse links, fuse-plugs, a large amount of wire, bushings, lock nuts, cable, and lead. Things of that type are very critical.

Senator JOHNSON of Colorado. When were these purchases made?

Mr. NELSON. These were purchased in January and February. They had a right to purchase them, but in going over the list of things purchased by those mines when they could purchase them directly from their supplier and just report to us each month what they purchased, they were purchasing critical materials; and we have a definite feeling that if a mine operator has to come in to Washington on a PD-1-a form for each repair part he needs, he is going to be much more careful in the amount of critical materials he uses.

I feel that we have made great strides in California since March 2, due to the fact that the gold-mine operators have gotten together and pooled their resources, have made available their repair shops to each other, and I think they are doing a fine job of conserving critical material and still keeping their mines going.

Senator JOHNSON of Colorado. That is very pertinent information, and it is information that we want very badly in Colorado. We want to cooperate, of course, and our gold operations want to cooperate. They realize the situation we are in, and it is not a spirit of just opposition and contrariness on their part, but they would like to have some ray of hope that they can get just a few drops. They do not ask for a whole bucketful, but they would like to have a few drops or a few

crumbs of assurance that they are going to be able to get them. Their needs are not going to be great. They tell me that if they can get some renewal of cable and other more or less essential articles to their operations they will get along some way, but they want to know that the door is not going to be shut to them.

Mr. NELSON. Senator, I admire very greatly the mine operators of the West, and particularly the men who made the West possible through the development of the gold and silver mines. I feel that they can come through an emergency if they will put their shoulder to the wheel and show the ability which I know they have and the ability that their ancestors had.

Senator JOHNSON of Colorado. You really think a gold-mine operator can do that?

Mr. NELSON. I say, I feel they can.

Senator JOHNSON of Colorado. You feel that?

Mr. NELSON. But when I write to two of the leading gold operators in the West and offer them a large shipment of drill steel that was consigned to South Africa, and which I held up to see if they could use it, and receive negative replies from every gold operator that I sent this telegram to, I feel a little sad, because I wonder if they are willing to change their methods of operation in an emergency in order to carry on.

I realize that that would call for a change in many things that they are doing, because drill steel is of a different size than used in this country, but there was a lot of critical material that had been made up for shipment to South Africa, which was held up in this country at my request to see if any gold-mine operator in this country was willing to or could change his operation so that he could use it. They all of one accord, after a thorough investigation, wired me back and said that they regretted very much, but they could not modify their operations and use this equipment.

Senator MILLIKIN. Is it not a fair assumption, Doctor, that they knew what they were talking about?

Mr. NELSON. I suppose they did, but that equipment I think is going to South Africa.

Mr. WHITE (Congressman from Idaho). May I ask a question, Mr. Chairman?

The CHAIRMAN. Congressman White.

Mr. WHITE. Dr. Nelson, you appreciate that these machine drills cost about \$400 apiece that you are talking about. Do you mean you want them to junk all those steel drills and machine drills?

Mr. NELSON. No; I did not say that they would junk them. I was hoping that by some ingenuity they could use it.

Mr. WHITE. I do not know the type of machinery you are talking about. They might change some chuck in a drill, but when you want to change the whole equipment in a drill, that may be irreplaceable, it might cost more to put the new type of machine drills in operation than it would to use steel that was off shape.

Mr. NELSON. I realize it was a hard problem. I realize that they would have loved to use that equipment. But I just want to bring out the fact that we are attempting to help the gold miners where we can.

Mr. WHITE. You know, there is a law that provides that miners use hollow steel. Was that steel hollow? Could they comply with the law and use the steel that you offered?

Mr. NELSON. I would have to look into the specifications. I imagine they have safety laws in South Africa, as well as they have here.

Senator JOHNSON of Colorado. I have one thought I wanted to develop, if you are through, Congressman White.

Mr. WHITE. Go ahead.

Senator THOMAS of Idaho. You are dealing now with gold operations, Senator Johnson. Could I inject one question?

Senator JOHNSON of Colorado. Go ahead.

Senator THOMAS of Idaho. Could I ask one question as to what they are doing with dredges and how they are caring for gold dredges?

Mr. NELSON. Gold dredges are considered as placer operations and have never come into the provisions of the mining orders since the first one issued in September. Those gold dredges that are operating today have been operating continuously since September 22 under P-100 and by the use of PD-1-a ratings where they needed a priority higher than A-10.

Senator THOMAS of Idaho. You think they will be able to continue with their operations?

Mr. NELSON. I cannot say what the critical material situation will be from month to month, but, as I understand it, most of those dredges are still operating.

Senator THOMAS of Idaho. Thank you.

Senator JOHNSON of Colorado. Dr. Nelson, I simply wanted to call your attention to the fact that in the mining industry often one hand has to wash the other and that there would be a very small amount of vital and essential and critical ores mined today if it were not for the silver and gold that have financed the operations. The mining industry is financed and its financing is all interwoven. We may have a gold operation at Cripple Creek that is financing a gold operation in some other part of our State.

It seems to me that there is a feeling, and I want to find out whether it is justified or not, that the War Production Board has a prejudice against the mining of silver and gold, instead of realizing that the silver that happens in these complex ores is not a curse, but a great advantage, and makes it possible to produce quantities, and important quantities, of these vital, critical, and essential minerals.

My question is, Do you have a prejudice against silver? Are you trying to reduce the quantity of silver mined? Are you trying to reduce the amount of gold mined? Is there some economic factor in this picture that has not been disclosed?

Mr. NELSON. I am only in charge of the mining branch of the W. P. B. The W. P. B. has no thought except to see that the critical materials go to those mines that are producing the largest amounts of essential war minerals.

Senator JOHNSON of Colorado. There is no effort whatever to curtail gold and silver?

Mr. NELSON. If a gold mine needs critical materials and there are not enough critical materials to go around to the metal mine and the gold mine, the gold mine naturally will have to take what is left, not because it is gold but because it does not help to make a tank or a gun or an implement of warfare.

Senator JOHNSON of Colorado. Do you take into consideration the contribution that is made by silver and gold to the production of zinc,

lead, copper, and other vital minerals? Do you take that into consideration?

Mr. NELSON. We in the mining branch are looking purely at the material viewpoint, the material produced and the critical materials used in producing it, and nothing else.

Senator JOHNSON of Colorado. In other words, if a mine was producing silver and sufficient silver to finance the operation, you would wipe it out simply because it was producing silver?

Mr. NELSON. If it is producing silver and nothing else—
Senator JOHNSON of Colorado. No. It is producing something else, but not great quantities of it. It is keeping a mine open.

Mr. NELSON. If it is producing enough of some other material that is needed in our war effort, the mine will be kept going with the priorities he can get.

Senator McCARRAN. Right there, Doctor, going back to the subject we touched on a while ago, about your statement made in Reno, have not recent developments established the fact that silver itself is a strategic metal?

Mr. NELSON. Well, as I said, I had a feeling in Reno that silver could be used in fair amounts, but I seem to have been alone in that feeling at that time. I hope that silver can be considered as a metal that can be used in winning the war from a material standpoint.

Senator McCARRAN. It has won so many wars, there is no reason why it should not be considered as essential to the winning of this war. In the Civil War and every other war that I ever read of it was by the production of silver that the war was won. In fact, it was by the production of silver and gold that we have been able to finance our wars. If we do not produce silver and gold, I am wondering how we are going to finance this war.

Mr. NELSON. I am from a Southern State, and although it has nothing to do with the record, I do not think that was the reason that the Civil War ended up the way it did.

Senator McCARRAN. Doctor, we will not go into that subject.

Mr. WHITE. Mr. Chairman, may I ask another question?

The CHAIRMAN. Congressman White.

Mr. WHITE. You spoke of the policy of the Government in giving priorities to gold mines. We more or less cooperate with the British. We call ourselves the United Nations. Is that same principle being applied to the gold mines of South Africa? We are told that 50 percent of the gold is produced in South Africa. The Senator told us a while ago that they sent a warship to South Africa to bring away the gold. Is that same principle being applied in South Africa?

Mr. NELSON. I must have made the statement before you came in that the mining branch has not given any priority ratings on any PD-1-a forms to South African gold mines in recent months.

Mr. WHITE. You mentioned a large shipment of steel going to South Africa.

Mr. NELSON. I said that we held up the shipment of this drill steel that had been manufactured for some company operating South African mines until we contacted our mines to see if they could use it in the United States.

Mr. WHITE. Does the Priorities Division know of any curtailment in gold production in South Africa due to any essential machinery not being supplied?

Mr. NELSON. I have figures to show that the gold production in South Africa is going along about the same. I suppose those figures are correct.

Mr. WHITE. Are they getting a considerable percentage of their machinery from us?

Mr. NELSON. I do not believe they are getting very much of anything from the United States, because the members of the South African Purchasing Commission come in to see me regularly about once a week, wanting to know when they are going to get something.

Mr. WHITE. But they are getting it from the United Nations supply house somewhere, whether it is from England or from us?

Mr. NELSON. I cannot answer that. Their mines are operating. I know that.

Mr. WHITE. You think they are going along at the same rate they have been going in the past?

Mr. NELSON. They state to me that they have no backlog of supplies to work on any more, and that they are running rather close against the wind.

Senator McCARRAN. I was going to ask, pertaining to that subject, is it not possible that a shipment of machinery that we send to South America may be transhipped to South Africa? Is there anything of that kind going on?

Mr. NELSON. I cannot answer. I do not know.

Senator McCARRAN. You do not know whether the practice of shipping mine machinery to South Africa will continue?

Mr. NELSON. I will say that when we give a PD-1-a to a particular mine in South America I am pretty certain that that mine needs whatever it can get so badly that it is not going to transship it to some other mine somewhere else in the world; and the only material which we have approved for shipment to South America has been material to individual mines, and I am pretty certain that an individual mine is going to keep the material if and when it gets it.

The CHAIRMAN. Dr. Nelson, we are going to have to close at the present time. I want to make one suggestion.

It is now apparent that the national debt will be around \$200,000,000,000. It is likewise apparent, I think, to those who have made any computations, that the Federal Budget after this emergency is over will be from fifteen to twenty billion dollars.

With those two figures being approximately correct, is it not proper for your Board and you as an individual, as an official of the Government, to give consideration to the problem of permitting somebody to make some money to pay these expenses or help pay these expenses of not only the present time but from this time henceforth? Have you given consideration to that problem in proposing orders that will have the probable effect of stopping or retarding the production of gold and silver, which are our most valuable metals?

Mr. NELSON. Well, Senator, the Mining Branch has nothing to do with the price policy paid for any metals. That is established in the R. F. C. We in the Mining Branch have only one duty that has been assigned to us, and I am a great believer in, if you are operating a branch, sticking to the duties that are assigned to you, and that is to get the materials to the mines.

The CHAIRMAN. Then, it is your policy to get copper, lead, and zinc even though the country goes bankrupt in trying to get it?

Mr. NELSON. I did not hear your question.

The CHAIRMAN. I say, it is your policy to get copper, lead, and zinc and other strategic materials without reference to the economic effect upon the country in getting those materials?

Mr. NELSON. Senator Thomas, my branch has nothing to do with the policy making of W. P. B. I am sorry. I am not in that position.

Senator MILLIKIN. I should like to ask, Dr. Nelson, who sat in on the determination of the policy behind this order that we are talking about.

Mr. NELSON. I would have to give you the entire membership of the Board before which it came, and I cannot give you that offhand.

Senator MILLIKIN. Was it taken up in a formal hearing or a series of meetings? Who was the dominating personality in the policy behind this order? I assume you are acting mechanically, under the position you have just mentioned. It is not entirely mechanical, but using your judgment within the sphere of action you have been confined to. But who decided the policy?

Mr. NELSON. You are bringing up the question of order P-56, and Senator Thomas was bringing up the question of affecting the price structure of the metals, which are two different things entirely.

Senator MILLIKIN. They do not have to follow each other. I am asking who decided the policy basic to this order.

Mr. NELSON. Well, as I said, the fact that an amendment was needed to the old order P-56 was naturally known in the Mining Branch, and the Mining Branch drew up a draft of the first amendment to the order.

In drawing up an amendment the branch chief gets in touch with his attorney, he gets in touch with a representative of Research and Statistics, and they jointly draw the amendment. The amendment then has to be approved by a half dozen different people. All this is on a form that is attached to the front of it. Any of those people who do not like any item in that amendment make notations in regard to what they do not like. Then you try to prove your point. If you cannot, you compromise and modify the order, until it is passed by the clearance committee, and then signed by Mr. Knowlson.

Senator MILLIKIN. Is there a factual memorandum available that went into these discussions?

Mr. NELSON. I think there are memoranda attached to this order as it went through the committee and as it was issued.

Senator MILLIKIN. I am going back to my first question of the day. What was the necessity for the orders? Can we get a factual showing into the record as to the necessity for it?

Mr. NELSON. I have already mentioned that the necessity was that we needed higher priorities for the mines producing critical minerals in order to see that they get the raw materials that they needed in order to operate.

Senator MILLIKIN. There must be something below that. You just do not wake up in the morning and say there must be this, that, or the other order. There must be a factual basis for that.

Mr. NELSON. The factual basis was that a war broke out and we were cut off from our supplies of chrome, tin, manganese, and certain other ore deposits. We were cut off from most of our critical minerals.

Senator MILLIKIN. A man would wake up some morning and say that we need such and such of this, that, or the other in such a quantity. Therefore, in order to get such and such of this, that, or the other in such a quantity, we have to put out a certain kind of order. That would be a somewhat logical approach to an order of that kind, would it not?

Mr. NELSON. That is just what I said.

Senator MILLIKIN. What I am getting at is, where is the factual data basic to this order? How can we get it? How can we look at it? It was not just a circulation of talk among the members, like a college bull session, was it?

Mr. NELSON. No; not at all.

Senator MILLIKIN. There must have been some basis for it.

Mr. NELSON. I am afraid we are so busy down there that we do not have time for some of the bull sessions that we would like to have.

Senator MILLIKIN. I do not deny their proper place, but I do not think we are getting out orders on bull sessions. I do think, however, it would be a good thing if we would get at the why of this order.

Mr. NELSON. I mentioned it several times, Senator.

Senator MILLIKIN. You told me it is because of this war need.

Mr. NELSON. I said we have lost our sources of supply of many of the critical metals that go into alloy steel, that go into the making of mining machinery, and so forth. Mining machinery is essential for carrying on the war. The makers of mining machines have to have critical materials to make the machines. The makers of mining machinery have the best machine shops in the United States, and they are using from over 50 percent of their plant capacity down to lesser amounts in the making of direct munitions for the Army and Navy. They are limited in the use of critical materials in the making of those materials. Therefore, we are limiting it to the mines that are producing the critical minerals.

The CHAIRMAN. It is obvious we cannot complete the hearings this morning, and some of our Members have another meeting at 2 o'clock. We cannot go any further now.

If agreeable, we would like to have you come back tomorrow at 10 o'clock. Doctor, if you can.

Mr. NELSON. I will be here, sir.

The CHAIRMAN. There will be some other questions to be submitted.

Mr. NELSON. Will the hearing close tomorrow?

The CHAIRMAN. I cannot say anything about that. I do not know when it will close.

We appreciate the attendance we have had this morning, especially from the Members of the House, and you are invited to come back and sit with us and participate with us so long as the hearings last.

We will meet tomorrow morning at 10 o'clock.

(Thereupon, at 12:45 p. m., an adjournment was had until Wednesday, May 6, 1942, at 10 a. m.)

PREFERENCE RATINGS FOR MINING MACHINERY AND EQUIPMENT

WEDNESDAY, MAY 6, 1942

UNITED STATES SENATE,
SPECIAL COMMITTEE ON SILVER,
Washington, D. C.

The special committee met at 10 a. m., pursuant to adjournment on Tuesday, May 5, 1942, in room 424, Senate Office Building, Senator Elmer Thomas of Oklahoma (chairman) presiding.

Present: Senators Thomas of Oklahoma (chairman), Johnson of Colorado, McCarran, Thomas of Idaho, Downey, and Murray; and Albert A. Grorud, secretary to the committee.

Present also: Senators Millikin and Bunker.

Present also: The following Members of the House of Representatives: Hon. Harry L. Inglebright (California), Hon. Lawrence Lewis (Colorado), Hon. William S. Hill (Colorado), Hon. J. Edgar Chenoweth (Colorado), Hon. James G. Scrugham (Nevada), Hon. Compton I. White (Idaho), and Hon. John R. Murdock (Arizona).

Present also: Gov. Ralph L. Carr (Colorado).

Present also: Mr. William L. Batt, Director of Materials, Materials Division and Chairman of Requirements, accompanied by James Cooley, Jr., Esq., attorney, Mining Branch, Materials Division; Dr. Wilbur A. Nelson, Administrator; Dr. Marcellus H. Stow, Deputy Administrator; and F. L. Eaton, attorney, Materials Division; Shaw Livermore, principal industry economist, Office of Progress Reports Division, War Production Board; Mr. Julian D. Conover, secretary American Mining Congress, Washington, D. C.; Mr. A. W. Dickinson, the American Mining Congress, Washington, D. C.; Mr. Albert F. Knorp, secretary, California chapter, American Mining Congress, San Francisco, Calif.; Mr. James A. White, director, Rocky Mountain Metals Foundation, Washington, D. C.; Mr. Robert S. Palmer, secretary, Colorado Mining Association, Denver, Colo.; Mr. George W. Malone, managing director, Industrial West Foundation, Washington, D. C., and San Francisco, Calif.; Mr. Errol MacBoyle, chairman, State Mining Board, California; Mr. J. C. Kemprance, Mining Association of California, San Francisco, Calif.; Mr. Matt Murphy, inspector of mines, State of Nevada; Mr. Charles L. Bradbury, president, New Mexico Miners and Prospectors Association, Albuquerque, N. Mex.; Mr. R. E. Whitten, Boise, Idaho; Mr. David P. Strickler, president, Cripple Creek Development Co., Colorado Springs, Colo.; Mr. Thomas A. Copeland, Cripple Creek, Colo.; Mr. Merrill E. Shoop, Colorado Springs, Colo.; Mr. Edward D. Dickerman, Leadville, Colo., and Mr. H. M. Bratter, Washington, D. C.

The CHAIRMAN. The committee will be in order.

When we recessed on yesterday, Dr. Nelson was in the midst of his statement. We will proceed this morning from where we left off yesterday.

STATEMENT OF WILBUR ARMISTEAD NELSON, ADMINISTRATOR, MINING BRANCH, MATERIALS DIVISION, WAR PRODUCTION BOARD, WASHINGTON, D. C.—Resumed

Senator McCARRAN. Dr. Nelson, on yesterday I think I was guilty of interrupting you in the first instance, and later on other interruptions followed.

Mr. NELSON. Yes, sir.

Senator McCARRAN. I noticed that during the making of my preliminary statement you took notes of my remarks, some of which you started to reply to, and I then interrupted you. But I think you still have some notes growing out of my statement which perhaps you might wish to speak upon. If you have, we would be very glad to have you do so.

Mr. NELSON. Senator, I think I answered you on all the notes I had.

Senator McCARRAN. Very well.

Mr. NELSON. However, if you feel that there is something I did not answer, I will be very glad to try to answer it.

Senator McCARRAN. I want to touch on this just a little, because I think you would perhaps like to answer it, and I would like to have your reaction.

Mr. NELSON. Yes, sir.

Senator McCARRAN. Please understand that there are things that I may mention to you here during the hearings that have come to me but that may have nothing particularly of significance behind them; nevertheless, if they grow out of an atmosphere, so to speak, that is out in the field, it might be well for us to bring them up, so that you in turn might explode them, if I may use that expression.

I dwell now on the incident illustrative of expressions that are abroad that there is a line of demarcation somewhere, whereby some can get priorities and others cannot. I gave yesterday an illustration of two miners working on the same dump, both applying for priorities, both working on the same class of ore. One gets a priority; the other does not. The inference is that somebody has a pull somewhere.

Mr. NELSON. Senator, if I remember, you made that statement under a heading, in your opening remarks, of rumors that you had heard.

Senator McCARRAN. Yes.

Mr. NELSON. I just supposed, as they were rumors, that you did not want me to answer them, because I do not know just how to answer rumors.

Senator McCARRAN. Notwithstanding this, it is my belief—and you know better than I—but it is my belief that there is not any pull, so-called, anywhere in your board; that you are dealing with this subject fairly and squarely and are acting on the up-and-up.

Mr. NELSON. Well, Senator, if there is any pull being exercised by anyone, anywhere, in my own branch, I know nothing about it. Every case is handled purely on its own merits.

Senator McCARRAN. That, of course, is what I wanted.

Mr. NELSON. Yes, sir.

Senator McCARRAN. There is one other thing, while we are on the subject, that has come to my attention. With your permission, Mr. Chairman, I will ask that this be off the record.

The CHAIRMAN. This will be off the record.

(Senator McCARRAN then made a statement which, by direction of the chairman, was not recorded. The following then occurred:)

Senator McCARRAN. Now, Mr. Chairman, I want to take just a little different tack, which will later come back to Dr. Nelson's statements made here yesterday. I have here a clipping from the Wall Street Journal of the date of May 6, 1942, and I would like to read it.

SILVER PUT ON INFORMAL RATION LIST; GOVERNMENT FREEZES PRICE AT 35½ CENTS—WAR INDUSTRIES GET NECESSARY QUANTITIES BUT SUPPLIES FOR JEWELRY MAKERS ARE LIMITED

Silver, one of the last of the priority-free metals, is being rationed.

Handy & Harman, the leading bullion dealers, now are doling out supplies, it was learned last night. Industrial companies using the white metal in war work get what they need; supplies for other consumers, including jewelry and table-wear manufactures, are being strictly limited.

Silver available for industrial use also has been price-fixed, the Government freezing the quotation at the ruling 35½ cents a fine ounce (35½ cents, including commission, to the consumer).

LONG EXPECTED BY TRADE

The crisis in silver supplies had been long expected in the trade. The only white metal available for industrial and commercial use is imported. All United States mined silver is bought by the Treasury at 71.1 cents an ounce.

Current demand, the trade estimates, is running neck and neck with a potential foreign supply which may be as small as 100,000,000 ounces this year. But industrial use is expanding rapidly. Silver is an expensive but desirable substitute for even scarcer metals. It can be used in solders, wire, electrical and chemical equipment. It has direct armament uses in ship equipment, gunfire control and recoil mechanisms. The aircraft industry uses silver in radiators, aircraft engine bearings, etc.

This war-borne industrial demand has been piled on top of expanding use by the arts and crafts, traditional market for the precious metals.

BUSINESS TURNED DOWN

A considerable volume of business is being turned down by bullion dealers because of the inability to acquire sufficient supplies of silver with which to meet this demand. The situation has been aggravated by the fact that some commercial users are attempting to build up supplies now against anticipated future needs and hence are trying to buy more silver than they are entitled to at the moment.

So far, the informal rationing is being carried out on the basis of a certain percentage of the amount of silver a customer used last year. But even the computation of the percentage is difficult, it was explained, because of the uncertainty regarding available supplies of foreign silver.

TRANSPORTED BY RAIL

The shipping situation has complicated deliveries of metal from Mexico and all silver now is being sent to the United States from Mexico by rail express rather than by water.

If supplies remain inadequate it may become necessary to seek Government relief through the release of some of the huge silver hoard acquired by the United States Treasury as the result of the silver purchase program. Treasury officials have announced willingness to release 40,000 tons of silver for bus bars to offset the shortage of copper. The silver market may seek to have a portion of this tonnage diverted to commercial uses.

I make mention of that, Mr. Chairman, in the presence of the members of the Board here in furtherance of my thought, that I tried to get Dr. Nelson to acquiesce in, and which I think he does acquiesce in, if I interpret his statements correction—I may be wrong, though—that there should not be any act on the part of the Board

which would curtail the production of domestic silver, because domestic silver is not only valuable from a monetary standpoint, but it is also, as is disclosed by this article here, becoming more and more essential as a commercial commodity in the arts and sciences with which we are dealing today in our war activity.

Dr. Nelson touched upon that in one brief statement in Reno. I will be frank with him and say that when he made mention of it in Reno, I did not get the full significance of his statement; but later, when the Treasury became active, and I saw that they were about to use the lend-lease law to release 40,000 tons of silver, to in turn release a similar quantity of copper, I saw that he had something in his mind when he made the statement in Reno.

I am bringing this to his attention now with the hope that his board may see fit to say to the silver miners of this country and those whose mines produce a greater quantity of silver, that the order of March which limits it to 30 percent, and says that if the mine produces more than 30 percent of silver in dollar value it cannot have a priority, that is not the rule.

I am anxious that your Board may see fit to modify that rule a little bit, so that the fellow who lives on the prairie and has a mine on the side of a hill may know that he will not have to come here to get a priority. If you would discuss that a little, I would appreciate it.

Mr. NELSON. Senator, I have already discussed, yesterday, the fact that any mine producing needed amounts of copper, lead, or zinc, irrespective of the amount of silver or gold it will produce, will have its number reinstated if it was withdrawn.

I suppose what you wish me to discuss is not that phase of the matter but the industrial side of silver or the industrial use side of silver.

Senator McCARRAN. That phase of it; yes, Doctor; together with this thing; that those of us who are interested in silver mining are trying to get over to you, with the idea of affirmative action, a change of the language of the order of March 2. The reason why we are trying to get that over to you, to get it modified, is that it has a deterrent effect on mining all over the country. No matter what you may say here, as you have just made the statement, which I understand perfectly, there are hundreds who do not understand it.

They say, "There is the order. How can you change it?"

Mr. NELSON. Senator, I also made the statement yesterday that we have no information in the Mining Branch showing that any mine has shut down due to priority action; furthermore, we have information showing that certain mines have changed to strategic mineral production.

We also all know that the metals essential for winning the war are being produced in larger amounts this year than they were heretofore, so our priorities have been used to increase the production of strategic and critical minerals.

Senator McCARRAN. Right there, Doctor, if I may interrupt. I read this article and I have made my statement with the idea of trying to emphasize the fact that silver has now become a metal necessary to win the war, just the same as copper or lead or zinc.

Mr. NELSON. I would say that if additional supplies of silver are needed and that can be shown in the months to come to be true, naturally whatever steps are necessary to get out those additional

supplies, if they are needed for the war effort, will, I believe, be taken by my superiors.

The CHAIRMAN. Doctor, on yesterday you made the statement that every mine stood on its own foundation.

Mr. NELSON. Yes, sir.

The CHAIRMAN. That meant that the facts surrounding that mine would be governing in relation to an application for priorities and the issuance of granting of priorities?

Mr. NELSON. Yes.

The CHAIRMAN. Now, this morning you have made the statement that any mine that produces a required or satisfactory amount of necessary war material, such as copper, lead, or zinc, would have its number reinstated if it had been withdrawn.

Mr. NELSON. Yes.

The CHAIRMAN. With those two statements before the committee, of what use is any order whatever with respect to the production of silver, if every mine stands on its own foundation.

Mr. NELSON. If you feel that my two statements are contradictory—

The CHAIRMAN (interposing). I did not say that, but the two statements lead me to believe that, inasmuch as every mine stands on its own foundation, there is no occasion for an order affecting silver or anything else, because if a mine needed a priority for any purpose, it would make application to show its necessity for it; then it would be up to your board to consider the application and do what you thought was best in the case, having in mind, of course, our need for strategic materials.

Mr. NELSON. The amended mine order of March 2 gives various degrees of priorities to various types of mines. In addition to the fact that gold and silver mines were limited in their priorities, we also took out of the higher brackets of priorities sand and gravel operations and aggregate operations—building stone, gypsum, and certain other commodities. In other words, we were not discriminating against any particular type of mine; we were trying to evaluate the different mines producing different materials as they affected the war effort.

The CHAIRMAN. You stated on yesterday that the largest silver-producing mine was Sunshine.

Mr. NELSON. I said it was one of the largest.

The CHAIRMAN. One of the largest, then. You said that because that mine produced a very large amount of antimony, which was needed, you would permit that mine, as I understood you to say, to get whatever material was necessary to operate the mine.

Mr. NELSON. That is correct. Their serial number was reinstated.

The CHAIRMAN. You might have the largest silver mine in the same condition, or you might have the largest gold-producing mine in the same condition. If a gold-producing mine was primarily used for the production of gold, yet that mine produced a by-product in substantial quantities that was needed for the war effort, you, as I understand the force of your statement, would go ahead and issue the priorities necessary to keep that mine in operation?

Mr. NELSON. Irrespective of the amount of gold and silver that a mine produces, as I said yesterday, if that mine is producing needed amounts of any critical or essential minerals, and it can substantiate that fact by furnishing us detailed information of the operations, we

review all that information, and if these critical materials that that mine is also producing are needed in the war effort, the serial number is reinstated.

The CHAIRMAN. I can see in your orders a very powerful and psychological influence against the mining industry in those western States, with respect to both gold and silver. Now, with my present understanding, as I interpret your statement, that each mine stands on its own basis of facts, I can see no good purpose whatever that can be served by keeping this order in the active files.

Mr. NELSON. If it were not for this mining order, the mine operations of the country would have no way in which, when they suffered a break-down, and get the highest priority rating needed so they could get from their supplier the equipment they need to start operations again. We are able to do that on 24 hours notice.

The CHAIRMAN. You must know all the facts surrounding and have in mind all the facts upon which the priority orders are requested, and then you act, independently of everything else, on the facts as presented as a basis for this order, so still I cannot see how the order itself does any good whatever.

Mr. NELSON. There are about 16,000 mines in the United States. There are only between 8,000 and 9,000 of those mines that have serial numbers under this order, and those are the mines that are given high priority ratings for break-downs or anticipated break-downs, are given quotas or a release on their repair parts, or are given special ratings on new machines, when they need those machines to expand or to maintain their tonnage.

The CHAIRMAN. I think I see your viewpoint: that this order and this activity on behalf of your board is really in the interest of the mines rather than against them.

Mr. NELSON. Absolutely.

The CHAIRMAN. Well, I am trying to see that a little more clearly.

Mr. NELSON. Did I make that clear?

The CHAIRMAN. I see your viewpoint, but I am not convinced that it is in the interest of the mining States.

Mr. NELSON. The fact that we are trying to get production out is prima facie evidence that the mines are being taken care of from the priority standpoint, because they would be unable to increase their production if it were not for the use of priorities.

Representative WHITE. Mr. Chairman, I would like to make an inquiry, in order to clear up a matter.

The CHAIRMAN. Congressman White.

Representative WHITE. You mentioned, Dr. Nelson, the Sunshine Mine as a source of antimony.

Mr. NELSON. Correct.

Representative WHITE. As a matter of fact, antimony is a metal that is deleterious, and the mine owners are penalized for having it in the ore. How do you take care of that situation?

Mr. NELSON. I know that the past smelter practice in regard to certain metals being associated with other metals when they go to the smelter has resulted in certain penalties being charged by the smelter against the shipper.

Representative WHITE. It has been long the custom and practice to penalize the shipper for having antimony in his ore.

Mr. NELSON. I do know, however, that a mill is being built, to take care of these ores from the mines you are mentioning, and that, instead of producing about 150 tons of antimony, as they did last year, due to their interest in the war effort they will produce between 70 and 75 tons of antimony a month starting in September, or probably a little sooner, and will acquire ores from nearby properties from which they will separate antimony. So, their production per month starting this fall will be around 100 tons a month. Antimony is very essential in our war effort.

Representative WHITE. I appreciate that, but is the process you have been discussing—the metallurgical process—one where they separate antimony in a mill or in a smelter?

Mr. NELSON. I am not familiar with the details of how it is separated, because I am not a smelter expert.

Representative WHITE. I want to come now to this priority matter. You said that blanket priorities are given to these mining companies. I understand that when they make special requests for needed replacements, they must conform to certain rules and regulations. They must name their supplier, state whether the stuff is available, and go through the provisions of your formula.

Just what plan do you have in mind to take care of these mines? Do you have a blanket formula by which they can make application, or do they have to make specific clearance or obtain specific approval for every instrument they order? Just how do you handle it?

Mr. NELSON. I can go into details in the operation, if you want me to, Congressman.

Representative WHITE. I just want to know the difference between the two plans you discussed yesterday.

Mr. NELSON. Under the mining order we asked the Governor of each State to designate a State official as the Emergency Coordinator of Mines for that State. That State official sent into our office the names of the mines in his State which he felt should be given serial numbers, as a serial number was necessary before a mine could participate in the priorities granted under the mining order.

We reviewed those lists and wrote back in many cases for additional information. Since September 22 we have issued serial numbers to between 8,000 and 9,000 mines in the United States.

When a mine has a serial number, it is entitled to the priorities given in Order P-56. There are four or five different types of priorities in that order. The A-1—a rating for break-down must be cleared by the mine having a serial through the Mining Branch in Washington. An A-1-c rating for repair parts on a quota basis by quarters is handled by the mine direct with its supplier, by stamping on the order to its supplier a clause carrying the mines' serial number and the A-1-c rating under his quota, in accordance with the provisions of order P-56. They do not have to come into Washington for their repair parts under those quotas. The quotas are, however, established in Washington.

We also have an A-8 rating that the mine operator can use in the same way on his supplier for other operating supplies.

Finally we have an A-10 rating that can be used for office supplies,

or other items of that type, not directly connected with the mining activity; again the mine orders under the A-10 rating directly on his supplier.

Leaving that side of priorities and going to new machines, a mine operator wanting a new mining machine can get it only by writing or wiring to the Mining Branch in Washington and furnishing us all the information about its need for that machine. That is reviewed carefully. If the mine operator has proved his case, a rating is given which will permit the mine operator to purchase that machine.

Those are the priorities that are available to a mine operator having a serial number under order P-56.

Representative WHITE. Going into this detailed plan you have just outlined, have there been any general rules or general instructions issued to the mining industry to put them on notice or to give them an opportunity to take advantage of these provisions that you have just enumerated?

Mr. NELSON. Yes, sir. Every mine operator when he gets his serial number is told to read the certificate, on which there is stamped all this information. In addition to that, we send out additional instructions as conditions change.

Representative WHITE. That mine number is given only upon application. But the information I would like to have is whether general information has been furnished the mining industry, to have them avail themselves of the rules and regulations you now prescribe. Has that now been done in a general way?

Mr. NELSON. We have in each State in the union an emergency coordinator of mines, and I am certain that in every case those State coordinators have seen to it that the mine operators in their State know that they can apply for serial numbers.

Mr. Palmer is our coordinator in the State of Colorado and has been very active. I am quite certain that there is not a mine operator in Colorado who has not been informed that he could get a serial number. I also am quite certain and know to be quite true that a number of mine operators who have asked for serial numbers have not been given them because we thought their operations did not justify them.

Representative WHITE. Have you furnished those coordinators in the several States with blanket, comprehensive instructions as to what a mine is entitled to have and can have, and do you know if the mines have received such information?

Mr. NELSON. Each mine operator himself, when he has a serial number, has the information and knows how to apply that information.

Representative WHITE. I would assume that. Well, judging from the hundreds of telegrams reaching my office from miners asking for help, it is quite apparent to me that they do not have such information and have to go through a very tedious routine to acquire it.

Mr. NELSON. We have sent out these certificates with serial numbers to mine operators. In one or two cases we have had the mine operator, when he made his monthly report to us, return his certificate to us as his monthly report. If the mine operator does not understand the certificate and does not understand, by reading it, the priorities that he can get, we cannot go to between 8,000 and 9,000 mines and read the certificate over to them and explain the details.

Representative WHITE. I beg your pardon. It is not my intention to bring in a controversy here. I just want to clarify this thing.

You stated yesterday, I think, that a very great number of California gold mines had not availed themselves of any application. Do those companies have the knowledge that they have the privilege and that they can avail themselves of it? Do you get that information to them?

Mr. NELSON. We have attempted, through our State coordinators, to see that every mine operator was informed of the fact that he had the privilege of applying for a serial number. The reason we asked the Governor of each State to designate a State official familiar with the mining industry of his State was so that every mine operator in the State could know, through the State coordinator, that he had the privilege of applying for a number.

Representative WHITE. Just a number. But what about the information of his privileges and rights and the rules and regulations that went with that number? What about them?

Mr. NELSON. He got the number and he got that information from us. If he did not get the number, the information was not necessary.

Representative WHITE. In other words, it boils down to the fact that there have been no general rules or general instructions made available to the mining industry.

Mr. NELSON. There have been rules or general instructions given to the mining industry in many ways: Through our office, through State coordinators, through trade journals of the country that cover the mining industry, and by word of mouth.

Representative WHITE. You stated awhile ago that the coordinators of the several States had listed all the mines that they thought were entitled to this information; that were listed as mines that merited this procedure.

Mr. NELSON. Yes.

Representative WHITE. Has that list you mentioned been given to these people in any way direct?

Mr. NELSON. The mines on that list which were granted serial numbers have been given all information in regard to the priority actions.

Representative WHITE. Mr. Chairman, I thank you very much, and I thank Mr. Nelson for his information.

Senator McCARRAN. At this point, Mr. Chairman, while these gentlemen are before the committee, I desire to read another extract from the Wall Street Journal of today, May 6, 1942. Perhaps it has already come to your attention, but I would like to have it brought to your attention again as a basis for one or two more questions. This article reads as follows:

SILVER EXPORTS TO EUROPE ARE BANNED TO KEEP METAL FROM AXIS INDUSTRIES

WASHINGTON—Exports of silver to Europe have been stopped by an unannounced embargo because it has been found that even though shipped to neutrals the silver finds its way to the Axis for industrial uses.

The new embargo covers Spain, Portugal, Switzerland, Sweden, Vichy France, Turkey, and French Africa.

It was found that when European countries are occupied by the Axis the procedure is to withdraw all silver coins. This was done by the Axis in France where 5-, 10-, and 20-franc silver coins were taken up by Germany.

Germany and Italy have long since withdrawn their silver coins and are now using zinc, aluminum, and iron coins in place of the more valuable white metal. It is shown that Switzerland and Portugal are centers through which flow large quantities of coin for the account of the Axis.

Considerable tonnage of silver was actually en route to Portugal and Spain before it was stopped and brought back to this country.

In recent weeks, this Government has been negotiating with the representatives of neutral European governments for the purchase of silver which they hold title to in this country. Sweden owns some 15 to 20 tons being held in this country.

Officials of State, Treasury, and other Government agencies, however, have been getting tougher about silver exports to any of the European countries and we're finally forced to clamp down completely.

Silver is a scarce metal in Europe because the occupied countries are being urged to use substitute metals for coins and this action has caused civilian hoarding, which with the confiscation by the Axis of silver coins has produced a difficult silver situation.

Silver production in Axis-held Europe in 1939 was about 5½ percent of total world output. This output has probably been stepped up some by the pressure of war demands, but officials believe that the embargo on silver from this country will hinder the Axis a little and create some discomfort.

Dr. Nelson, I read that extract as a preliminary to this question. Undoubtedly whoever put into the order of March 2 the provision as to 30 percent of silver and gold or silver or gold must have had the idea or motive of reducing the production of silver, or at least must have had the idea that silver was not a war essential metal, because that order as worded in the priority rule of March 2 penalized the production of silver if it was in excess of 30 percent.

With that in mind, and with the doctrine that is announced here in these articles that I have read, I am asking you gentlemen now why a war essential metal, manifestly a war essential metal, because by this action it has been barred from export; manifestly a war essential metal because our enemies are gathering it up wherever they can, because it is so treasured in war activities—why should any phrase be in the priority order which by its general terms would penalize the production of silver in this country? I would like to have your views on it, gentlemen.

Mr. NELSON. Well, we certainly consider that silver and gold—those two metals—are not in the class of copper, lead, and zinc, and the critical minerals like chrome, manganese, vanadium, molybdenum, tungsten, and others.

Senator McCARRAN. But is it not rapidly, according to the best information we can get, taking its place as a war essential alongside those metals you have mentioned?

Mr. NELSON. It is certainly playing a small part at the present time, and until it can be proved that the amount of silver that is being produced under the present priority actions is not sufficient to take care of these new uses of silver, I see no reason for changing our present priority set-up. I think it would have to be proved first.

Senator McCARRAN. You will concede, however, Doctor, that the provision in that order does act to penalize the production of silver.

Mr. NELSON. The raw materials going into the making of mine machines and equipment is one of the controlling factors in mining. These mining machines and mining equipment and repair parts will produce a much larger amount of copper, lead, or zinc than they can of silver or gold for the same amount of critical materials. We have got to use our critical equipment where it will produce the largest amount of the metals needed in the war effort.

Senator McCARRAN. Yes; that is true, Doctor, but the production of silver in combination with what you term strictly war essential metals does two things. First of all, it encourages the production of war essential metals; second, it keeps the price of war essential metals down, because silver at 71 cents aids the miner in producing war essential metals, and today, except in one instance, you have no straight mines of silver. Every bit of silver is a byproduct, almost altogether. The only one outstanding exception to that, that I know anything about, is the Sunshine mine, to which you have made reference.

With that in mind, I still insist, with all these other facts I have brought before you here, which are today current, that the clause in your order of March 2, being a penalizing clause—and it cannot be considered in any other way—should be removed from that order in order that your war essential metals, that you hold highest, should have greater production by being encouraged and will cost the Government a lesser price, because silver costs the Government nothing.

Mr. NELSON. As I brought out yesterday, we must always remember that the machines which are being made for our mines must be used in the mines producing the largest amounts of critical material. I think that that answers the silver question.

Senator McCARRAN. It would answer it, Doctor, if it were not for the fact that it is disclosed that silver is a critical material just as well as the metals you have mentioned.

Mr. NELSON. If you use silver to replace copper, and you have one machine here that mines 100 pounds of copper, and that can mine X pounds of silver, it is certainly better economy to mine copper. The silver we have been mining has been accumulating over a long period of years, and we are just taking advantage in this emergency of the accumulated silver which was not being used as critical material in war effort.

Senator McCARRAN. That part would be true and your analysis would be correct were it not for the fact that a small quantity of silver outbalances and overweighs a large quantity or tonnage of the war essential metal. In other words, if you have a mine that produces, say, 20 ounces of silver or 10 ounces of silver and 10 tons of war essential metals, and you penalize the production of the tonnage of war essentials because of the production of more than 30 percent of silver, then you have not carried out your formula.

Mr. NELSON. We are not penalizing them. We are considering each mine from the standpoint of copper, lead, or zinc which it produces, irrespective of the amount of gold or silver it produces. We are thinking first of the copper, lead, and zinc. We have to under the present methods of warfare.

The CHAIRMAN. Congressman Murdock, have you some questions that you desire to propound?

Representative MURDOCK. They have been partly answered, Mr. Chairman, by the latest answers to Senator McCARRAN.

I would like to ask this question: Are there not a good many mines throughout the country that produce mixed ores, including gold and silver?

Mr. NELSON. Yes; there are mines that produce copper, lead, zinc, gold, and silver.

Representative MURDOCK. I find in the State of Arizona, for instance, that some of our largest copper mines are heavy producers of gold and silver—chiefly silver—as a byproduct. I wanted to bring out the fact that the order of March 2, which the Senator has been referring to, does restrict the output of copper—I believe that is true in the State of Arizona, because of the fact that copper, gold, and silver are produced in the same mine.

In one mine that I think of, at Superior, Ariz., the output of gold and silver is rather heavy, and I can see how the order of March 2, unless modified in individual cases, would limit the production of copper.

Mr. NELSON. It has not actually limited the production of copper anywhere, because where any appreciable amounts of copper were being produced, the serial numbers of those mines were reinstated, irrespective of the amount of gold and silver present.

Representative MURDOCK. I am glad to hear that.

Senator JOHNSON of Colorado. If it has not restricted it, it has greatly stimulated the production of these critical minerals everywhere?

Mr. NELSON. It has.

Senator JOHNSON of Colorado. Why you do not recognize that fact is the thing I do not understand. Silver certainly has made a great contribution to the production of copper, lead, and zinc. It has kept the mines open. It kept them going prior to the war, when the prices came up.

Mr. NELSON. Prior to the war we did not need priorities of any kind. When the war broke out we started living under war conditions and under a set of circumstances that are entirely different from any set of circumstances that any of us ever dreamed we would have to live under.

Senator JOHNSON of Colorado. If silver made this contribution prior to the war and it has been continuing to make it since the war started, for the reason that it makes it possible for the mines to operate, you might consider the silver you get as a stimulus or a price paid as a bonus for the production of copper, lead, and zinc, because it is exactly that, and that is also true of gold, wherever gold is found in complex ores. It is a bonus, a stimulus.

Mr. NELSON. Senator Johnson, if it were not for the fact that we have a shortage of capacity in plants of makers of mining machinery and a shortage of the materials which go into the making of mining machinery and repair parts, we would not have to restrict the use of mining machinery and repair parts to mines that are producing those things which we need first in the war effort, and those things which we need first in the war effort are not gold and silver.

Senator JOHNSON of Colorado. At this point, Mr. Chairman, I should like to place in the record a statement with respect to the contribution that has been made and is being made to the mining industry by gold and silver, particularly silver. It is as follows [reading]:

Relation between the domestic production of silver, gold, and certain critical metals essential for national defense, Industrial West Foundation, San Francisco-Reno-Washington, D. C.

INTRODUCTION

The present world conflict has been aptly described as a war of metals and those nations which possess the greatest resources of metalliferous ores and the facilities to turn them into finished products should eventually be victorious.

While nearly all metals are essential in conducting modern warfare, their degree of importance varies considerably both from the standpoint of tonnage required and the practicability of employing substitutes.

Since our monetary system is founded on gold and silver, the chief function of these so-called precious metals is buying power. Gold has very few essential industrial applications, and its high price and scarcity further limits its uses. Silver, on the other hand, plays an important role in industry and while the quantities normally required for essential purposes represents less than 50 percent of our annual output, it could be substituted advantageously for other metals were it available in large quantities.

Outstanding nonferrous metals: Practically all of the metals have been placed on the strategic and critical lists of materials, but from the standpoint of tonnages produced, aluminum, copper, lead, and zinc are the most essential of the non-ferrous group.

In the case of aluminum, we are dependent to some extent on outside sources for our supplies of aluminum ore (bauxite), but the bulk of our copper, lead, and zinc is derived from domestic sources.

During the past 2 years our output of these metals has been stepped up sharply, yet the demand has increased to such an extent that we cannot adequately supply both military and civilian needs.

Proposals made by Government agencies to meet expanding need for copper, lead, and zinc: To meet the expanding need for copper, lead, and zinc, the two following suggestions have been made:

1. Substitute available silver supplies for copper, lead, or zinc and thus release some of these other metals for essential uses.

2. Mine and smelt only those copper, lead, and zinc ores which contain less than 30 percent of their metal value in the form of gold or silver.

The object of the first suggestion is to utilize silver which is not employed for essential purposes and substitute it for those metals which can be advantageously used elsewhere.

The announced objective of the second suggestion is to step up the production of copper, lead, and zinc by employing ores containing higher percentages of these metals and thus save the time and expense required in separating the gold and silver from ores carrying substantial quantities of the precious metals.

The object of this report is to show the practicability and effect of these two schemes.

Comparison of prices: The two outstanding objections to the industrial use of gold and silver are: (1) The high price of these metals; (2) the limited supplies available.

In the case of gold, these two objections outweigh most of the advantages of this metal and only when small quantities are required has this metal any important industrial application.

In the case of silver, however, neither the limited quantity nor relatively high price precludes its industrial use, and hence it plays an important, if not essential role in commercial processes.

While the price of silver is nearly ninety times greater than that of copper, the suggestion has been made that because of its high conductivity, it might be temporarily used (in lieu of copper) for certain types of electrical equipment. This silver could later be released and again be replaced by copper when the present emergency has passed.

Free silver: In addition to the silver which "backs" the paper currency, there is a relatively large quantity of this metal held in reserve by the Government. Such metal is termed "free silver" and it has been proposed to use this idle metal to replace an equivalent quantity of copper which in turn could be employed for essential purposes.

The quantity of free silver on hand according to the Treasury Department is 46,740 short tons, an amount equivalent (by weight) to 4.77 percent of our output of copper in 1941.

The use of this surplus silver for purposes which involved no permanent loss of the metal would release at least 46,740 tons of copper for those uses wherein the latter is essential.

Such a scheme would have to be carefully safeguarded and the silver employed protected against possible loss; but the tonnage of copper thus released would be quite helpful in offsetting a temporary shortage of this metal.

Possible available silver: As shown in figure 3, the annual production of silver is but a fraction of the copper output so even if all this silver was substituted for copper, the tonnage of the latter metal released for other purposes would be relatively small. But all of this silver could not be released because this metal has certain essential uses for which there are no adequate substitutes. Its importance in photography is such that the quantities required for this purpose could not be diverted. Moreover, photography is playing an increasingly important role in aerial warfare and hence the demand for silver to meet military needs is growing. The silver used in solder and in certain chemical processes could not be released for other purposes so only a portion of the annual output would be available as a substitute for copper.

Since silver is a better conductor of electricity than copper, a given quantity of the former would go further when used in certain types of electrical equipment. This additional conductivity of silver, however, is not sufficient to make any great difference in the actual quantity of copper replaced.

The estimated quantities of copper replaceable by silver on the basis of the 1941 production of these two metals is shown diagrammatically in figures 6 and 7. Figure 6 gives the saving of copper when replaced by an equivalent weight of silver and figure 7 gives the saving when advantage is taken of the additional conductivity of silver.

From siliceous gold and silver ores (which can only be probably worked if the precious metals are marketed), there were recovered in 1940 the following quantities and values of copper, lead, and zinc:

Copper, 37,379 tons valued at \$7,475,853.

Lead, 107,502 tons, valued at \$11,262,768.

Zinc, 48,858 tons, valued at \$6,156,144.

This means that by eliminating ores of this type, our domestic production of these all-important metals in 1940 would have been reduced by the amounts shown above. In terms of percentages of our total annual production of these metals from domestic ores, the reduction in output in 1940 would have been as follows: Copper, 4.25 percent; lead, 24.80 percent; zinc, 8.28 percent.

The above reduction in the output of copper and zinc may appear relatively small but in terms of work performed by these metals, such a reduction would be very serious. For instance, the above quantity of copper is more than equivalent to that used in all the radio sets manufactured in 1940; the lead recovered from such ores was sufficient to cover all the electric cables produced, and the yield of metallic zinc was more than enough for all the galvanized wire and screen manufactured in 1940.

Unless, therefore, we are assured of making up this deficit in such metals from other sources, a curtailment in the production of the ores containing more than 30 percent of their total metal value in the form of gold and silver would be a serious matter and one which requires careful analysis.

The CHAIRMAN. Have you some further statement you want to make, Dr. Nelson?

Mr. NELSON. No, sir.

Senator McCARRAN. I should like to query the doctor on a statement he made to Congressman White.

Doctor, you used this expression in answer to my own questions on one or two occasions. It comes out of your answer about how a priority is acquired by a mine that is threatened with a shutdown or has lost its serial number.

You have stated that the application is sent in to Washington, and then you say that if the mine proves its case, it will be granted a priority or a release, or its serial number will be returned.

Mr. NELSON. You have two things mixed up there. The break-down clause is entirely different and would have to be discussed apart from the clause relating to the return of a serial number to a mine.

Senator McCARRAN. I took your own expressions made on two or three occasions here. In other words, one applying for a serial number or one applying to get repair parts—

Mr. NELSON (interposing). Until a mine has a serial number, it is not in the favored position of being able to wire in for a high priority rating in case of a break-down.

Senator McCARRAN. Then, to get the serial number, they do wire in or write in for priorities?

Mr. NELSON. To get the serial number, they first clear through the State coordinator, and he sends the name of the mine operator and pertinent information in regard to the mine in to the Mining Branch. We then review it.

In certain cases we grant serial numbers. In certain cases we ask for further information. In certain cases the information on hand is such that we do not feel the mine is justified in having a serial number granted.

Senator McCARRAN. How many cases of that kind have you had? Do you recall, Doctor?

Mr. NELSON. Well, there are 16,000 mines in the United States, and we have granted only between 8,000 and 9,000 serial numbers.

Senator McCARRAN. Do the others all fall under the ban of not measuring up?

Mr. NELSON. In most cases I would say that is true. There are probably a few mines in the United States that should have serial numbers that have not yet applied for them. They are mostly of the category of mines which are nonmetallic, which are sand and gravel operations and aggregate operations, and in many cases they are large operations, and that type has just been operating on PB-1-a and P-100 and have not bothered to apply for serial numbers.

Senator McCARRAN. Then, I would gather from your answer that there are but few metal-producing mines that have been denied serial numbers, that have applied for them?

Mr. NELSON. I would say that our State coordinators in the mining States of the West and in other parts of the country where metal mines exist have sent in to us a complete list of practically everyone who is producing anything, even though the mine consist of a hole in the ground, with two men operating it.

In many cases small operators have not been given serial numbers. In many cases the State coordinator has been given erroneous information by the mine operator, which he has later on corrected, or which in some cases they found was erroneous and so notified him. Where that erroneous information would seem to justify a serial number, we found out when the correct information was obtained that a mine of that type often did not justify the serial number.

Representative ENGLEBRIGHT. Mr. Chairman, I should like to address the speaker.

The CHAIRMAN. Congressman Englebright.

Representative ENGLEBRIGHT. Dr. Nelson, was it the purpose of the order of March 2 to eliminate from production mines that are producing primarily gold or silver? I think the silver question has been answered pretty well, but I shall ask about mines producing primarily gold.

Mr. NELSON. Congressman Englebright, when the first mine order was issued on September 22, we excepted from all the provisions of

that order all placer gold operations, showing that right from the beginning and back in last September we felt that gold mining was not essential in our war effort. So, when the order was amended on March 2, the taking of further high priorities away from a larger group of gold mine operations was just a logical extension of the thought which was expressed in the original order on September 22.

Representative ENGLEBRIGHT. Was any consideration given to the fact or the condition that surrounds gold mines in many portions of the country, inasmuch as large portions of the population depend wholly or largely on the operation of gold mines, and the economic welfare of large communities and populations was dependent on gold mining? Did you take that phase of the question into consideration when you made such a decision?

Mr. NELSON. We realized that in all war of the type we are waging there are business casualties as well as human casualties. They are casualties we regret. But if we have only a limited amount of material to go around, we have to see that that material is used in producing items that will make the most tanks and guns and implements of warfare.

Of course, we all have a very sympathetic feeling about anything that happens to any community that affects it adversely during wartime, and we naturally do not want to do anything to disrupt any community through priority action any more than has to be done as the war gets tighter and tighter.

Representative ENGLEBRIGHT. Well, at that time did you consider the fact as to what methods would be taken or what procedure would be followed to take care of large portions of our population that are destitute or are partially destitute by reason of the discontinuance of gold mining, or to take care of the trading of skilled miners who are necessary in other portions of your war effort? That is a double question, but if you can answer those points separately, I will appreciate it.

Mr. NELSON. None of the gold mines that we are discussing have shut down due to priority action to date. Though they are still operating, they are operating under labor difficulties, as is shown by reports that I have obtained from all the mining districts in the West, in that they have all lost many of their laborers who have gone to the Pacific coast, where they have received higher wages. As I brought out yesterday, that was true of metal mines as well as of gold mines.

So, I do not think that we can tie into priorities many of the losses that undoubtedly will befall certain of the mining districts of the West.

Representative ENGLEBRIGHT. Well, at the time your policy was formulated, was consideration given to the amount of critical materials that might be necessary to keep in operation the gold mines upon which large communities depend for their economic welfare?

Mr. NELSON. We certainly did, and we realized that the story of the gold mines is the story of every industry in the United States. The gold mines will use a small amount of steel. They will use a small amount of lead. They will use a small amount of tin. They will use a small amount of chrome and nickel.

Taken by itself, that does not seem very much, but if you add up, from industry after industry, the 1 or 2 percent that you do not see, you won't have anything left for the war effort; and it is only by

conserving these one percents in those phases of our industrial life that do not enter first into our war effort that we can accumulate, in our laborious way, many of these critical materials that we can no longer get from abroad and that we must get for our direct armament program.

Senator MILLIKIN. Dr. Nelson, pursuing the factual basis for the order theme, if you can give us any further enlightenment on it I am sure it will be very much appreciated.

Mr. NELSON. The manufacturers of mining machinery were flocking into Washington one after the other, saying that they could not keep their plants going if they did not get higher ratings from the mines to whom they were selling their repair parts and machinery. It was therefore necessary to revise this order so as to give higher ratings for repair parts and new machines to miners, and when you give higher ratings you have to restrict the mines to which those ratings are given.

If you will remember, when on September 22 the first mining order was issued, all gold placer mines were excepted from the provisions of the order, so you can see that right from the beginning we felt that gold was not essential in our war effort.

When we came to the revision of the order on March 2, made necessary by the fact that we had to get higher priorities from the mine operator to the maker of mining machinery, we further restricted the number of mines to which these high priorities would apply. We took out all sand, gravel, aggregates, building stone, gypsum, and operations of that type from certain phases of the amended order.

We did not permit them to have an A-1-c quota for repair parts. They had to come in to Washington every time they wanted a repair part. They could not buy it direct from their supplier. We left the metal mines and the strategic mineral mines in the top class, where they could handle their quota of repair parts direct with every supplier without coming in to Washington, and fixed it so that we could give them the highest ratings for the new machines where they needed them.

While that was being done, following the thought that we had from the 22d of September in regard to gold, we restricted still further the higher priorities that were to be given to gold and silver mines.

Senator MILLIKIN. That may be responsive to my question, but if so, I have not made my question clear, Doctor. I will take another hitch at it.

Mr. NELSON. All right, sir.

Senator MILLIKIN. Let us take ourselves back to March 1. Let us assume that a situation developed which came to your attention that required an additional store of defensive minerals or metals, and that I assume was the situation. That is the whole war theme.

Well, the mining end of industry would be called upon to meet an allocation of that need, would it not? On an over-all basis, I assume that certain units of that expected gain in strategic minerals or metals would be assigned to the mining industry.

We would sit down and we would commence to assemble statistics on what the mining industry is consuming in the way of defense minerals in its process of mining; and we would put that on one side of the ledger sheet, and on the other side of the ledger sheet we would say, "Now, this is what it is producing."

I am trying to put some rational basis behind this thing. On that sort of view of the balance of the thing, we would say, "Well, we have to do so and so and so and so." Now, I am trying to get at those factors which on March 1 and prior to that day brought about this order.

Mr. NELSON. When you do not have enough mining machines to go around to all of the mines that are producing even the critical materials, naturally you have got to restrict the use of your mining machines to those mines that are not essential for the war effort. At that time the makers of mining machinery had their plant capacity, which was left to them, outside of that which they were using for the Army and Navy or direct munitions work, taken up for 6, 9, and in some cases 12 months, for some of the most essential types of mining machinery that was needed in the mines producing the most critical war materials.

It was not a question of saying that if we cut out gold and silver we will have enough critical materials for the rest of the mines. It was just a question that if we cut out gold and silver, we will have more materials for the critical mines, but not even as much as we want for them.

Senator MILLIKIN. All right. Now, we have gone on with that between ourselves, and we now come to the terms of an order. How did you bring in that 30-cent clause in relation to that need?

Mr. NELSON. I explained to you yesterday that in drawing the order, my thought was that 50 percent was a good starting point.

Senator MILLIKIN. Who overruled your thought on that?

Mr. NELSON. I was not overruled. In drawing any order, the order goes before your attorney, it goes before the Bureau of Statistics and Research, and then it goes before a clearance committee, in which you discuss all of these things, and the majority opinion is followed. I do not call that overruling; that is democracy.

Senator MILLIKIN. Now, then, why did they set up any reference point like that, in view of your testimony here? What was the point of it?

Mr. NELSON. We had to know and get all of the information we could about the different mines in the country producing gold and silver. The 30 percent was an arbitrary figure, just like 50 percent would have been an arbitrary figure; and, in any case, you would have had to review all of the mines that fell above or below that point, and where such mines produced needed amounts of copper, lead, and zinc, naturally such mines would have to have their numbers reinstated.

Senator MILLIKIN. So that from the beginning there was not any point to the 30 cents except as some place to start thinking on?

Mr. NELSON. The 30 cents was arrived at at the time that the order was drawn in its final form.

Senator MILLIKIN. Would you not agree with us, Doctor, that it would be much better if that order were tossed out and a more definitive order put out which meant what it said and which would enable a man reading it to know whether or not he came under its terms?

Mr. NELSON. I have been administering this order for several months, and I cannot see, from the administrative standpoint, that we have held up in any way the production of any critical material,

because the mines that were essential for our war effort have cleared their cases with us and had their numbers reinstated.

Senator MILLIKIN. That is a matter of your personal judgment. I am not disparaging your personal judgment, but we have a notion in this country that we would like to have a government by law and not a government by men. Can we not have a government by law by having regulations which any miner can read and know whether or not he falls under those regulations?

Mr. NELSON. You have the clause in the order permitting the mine operator to come back in and ask for relief, and where the war effort demands that, they will be given relief.

Senator MILLIKIN. Well, that is merely in the nature of an appeal after you have been sentenced. That is all it amounts to.

Mr. NELSON. Most of our limitation orders that have been issued in recent months might be classified somewhat in the same way; but when you have an emergency and you have to start conserving, you have to start to conserve before the barn door is open.

Senator MILLIKIN. I heartily approve of that relief clause in the order. Without it the order would be absolutely deadly. But it should be unnecessary if the other part of the order were clear and meant what it said.

I think at one time Senator Johnson wrote to you and said, "For God's sake, put these orders in plain English, so that people can understand them."

Was Dr. Nelson the object of that, Senator Johnson?

Senator JOHNSON of Colorado. Donald Nelson.

Senator MILLIKIN. I take up the thought of Senator Johnson: Let us get up an order that people can understand and that will not leave it to an individual appraisal of each case.

Dr. Nelson, while we are all entranced with your graciousness, and we know you want to be fair about the matter, you may not be here all the time, you may wake up in a bad humor some morning, and all of those factors enter into it, and no man's business or no man's livelihood in this country—not yet—should have to depend on that sort of thing.

Representative ENGLEBRIGHT. May I have a word, Mr. Chairman?

The CHAIRMAN. Mr. Englebright.

Representative ENGLEBRIGHT. Mr. Nelson, I am sure we are all very much impressed, and I am particularly, with your desire to be fair and assist all phases of the mining industry. I have discussed the matter with you, and I feel very confident that you want to assist in keeping the gold-mining industry operating and functioning, particularly in localities where the community welfare depended upon that activity.

Speaking as the representative of a large mining territory, I think I can with confidence state that, due to the 30-percent clause, there is somewhat of a pall over the entire mining industry. They do not know what they are going to be able to do, as to whether or not they are going to be able to proceed with a particular activity, and I am frank when I state that if it were not for the Government financing of critical materials and other lines of mining activities, there would have been a very dilatory effect on the entire industry through your order with the 30-percent clause.

I believe it is the Government financing that has saved the situation, and not particularly any encouragement that that order may have intended, no matter how well meaning the intentions were to the industry.

I represent territories that produce, as you know, chrome, manganese, tungsten, and other critical materials, and there is a jittery feeling in the mining industry, and there is an indefinite feeling, and there is a feeling that they may be eliminated at any time and affecting any particular mine, no matter what it is producing.

They say, "I do not know how long I am going to be able to run. It depends on what those fellows in Washington decide to do."

Mr. NELSON. There should be no jittery feeling among the mining industry where they are producing chrome, vanadium, molybdenum, tungsten, manganese, copper, lead, or zinc, because they have been given every assistance even in the prospector stage.

In this mining order we have a provision where we can give priorities to any bona fide prospector if we know he is a good prospector and feel he is going on a claim that will develop critical minerals.

Senator McCARRAN. May I interrupt there? You have made a very emphatic statement: There should be no misapprehension where a miner is producing chrome, copper, lead, zinc, and the other metals you mentioned. Now, that brings to me an implication—

Mr. NELSON. There was an implication.

Senator McCARRAN (continuing). That a miner who is producing silver may have an apprehension. Is that true?

Mr. NELSON. As our war effort gets tighter and tighter and our critical materials become scarcer and scarcer, the mines that are less essential to our war effort are the first mines that are going to feel a shortage of the necessary materials to operate, and they should all realize that.

Senator McCARRAN. Why should that be true when the very articles that I read into the record this morning show that more and more silver is becoming a war essential?

Mr. NELSON. There has never been a world war in civilized times when the production of silver throughout the world has not fallen off. You can go right back through your statistics.

Senator McCARRAN. That is because it does become an essential and is put into use more.

Mr. NELSON. The mining falls off. The total amount of gold mined, year by year, as you check through the ages and mark off your war periods, shows a depression during the war periods.

Senator McCARRAN. May I at this point, Mr. Chairman, read a short article appropos of what the doctor has said, from The Financial Times, of Saturday, the 7th of March 1942? This is a London publication, under the caption:

SOUTH AFRICAN GOLD AND REPORTED UNITED STATES MISSION—OFFICIAL DENIAL—CURTAILMENT NOT NECESSARY

CAPE TOWN, March 6.—Commenting on the report from New York that an American economic mission was going to South Africa to arrange for an increase in the production of essential mine products, Mr. Stallard, minister of mines, said that he had no knowledge of a visit of an American mission having the object of curtailing gold production.

"Apart from the fact that curtailment of gold production is not necessary for the expanded production of war metals, production of gold is the basis of the South African war effort," he said.

"It is South Africa's economic lifeblood, and therefore in the first rank of key war industries," he added.—Reuter.

A UNITED STATES DENIAL

In Washington on Thursday night Mr. Sumner Welles said there was no question at present of sending a mission to South Africa. The United States already has an engineer in South Africa working to increase the production of strategic raw materials in the Dominion, he revealed.

These denials follow a report by the Washington correspondent of the New York Times that preparations were being made to send an American mission to South Africa to arrange for increased production. It was hoped, the report added, that South Africa could be induced to reduce her gold production and employ some of the machinery and labor for turning out more needed war metals.

BRITISH GOVERNMENT'S REQUEST

It will be observed that Colonel Stallard reemphasizes his previous statement, quoted in the Financial Times yesterday, that there was no intention of restricting South Africa's gold output. In this connection the mining editor of the Rand Daily Mail recently wrote that he understood "a request had been made by the British Government that the gold output of South Africa should be maintained at the maximum so that post-war Britain may be able to discharge her commitments to the United States incurred before the introduction of the Lease-Lend Act, and to help in stabilizing the sterling group of currencies in post-war reconstruction."

I draw that to your attention to show you that Great Britain is not curtailing production of either gold or silver, but, on the other hand, is encouraging it for the purpose of stabilizing, as it says, the post-war currencies. Now, that brings to mind the very thought that I tried to put over to you yesterday, that I hoped you might adopt: that we, too, should have these metals, basic to our economy even now, because they are just as essential now for post-war economy as is the production of gold in South Africa for post-war economy in Great Britain.

Especially is that true—and you might think I make a hackneyed phrase out of silver, but it is in my mind and in my heart—when silver, being basic to our American currency and basic to our post-war economy, is also a war essential metal as it goes on.

I bring that out because your last expression to me cannot be construed in any other light than that you will penalize the mine producing silver. That is just exactly what we are trying to prevent, if it is possible.

Mr. NELSON. Senator McCARRAN, I stated yesterday that the Mining Branch had not approved priorities for any items to the South African gold mines for several months. If they are getting material, they are not getting it through the Mining Branch.

Senator McCARRAN. I do not quite catch that, Doctor. I beg your pardon.

Mr. NELSON. The Board of Economic Warfare is the board that should be contacted.

Senator JOHNSON of Colorado. Does Russia get any priorities? I wanted to ask you that yesterday.

Mr. NELSON. Russia, as I understand it, is on lend-lease. Senator JOHNSON of Colorado. On lend-lease, but your Division does not approve that?

Mr. NELSON. We do not approve items on lend-lease. Senator JOHNSON of Colorado. Is South Africa on lend-lease also?

Mr. NELSON. Not as I understand it. Senator JOHNSON of Colorado. Is South America?

Mr. NELSON. I am not familiar with all the ramifications of lend-lease. I know that we are approving priority ratings to certain of

the gold mines around the Panama Canal and adjacent South American countries in limited amounts.

Senator McCARRAN. Do they produce gold and gold alone?

Mr. NELSON. I said gold mines; yes. That is under the foreign policy of the Government as relayed to us with the statement that we should take care of their needs in a limited way.

Senator McCARRAN. Is it possible to ship mining machinery under the Lend-Lease Act?

Mr. NELSON. Definitely, yes.

Senator McCARRAN. And that is undoubtedly where South Africa is getting mining machinery, if she is getting it at all?

Mr. NELSON. If she is getting it at all, it must be indirectly. Of course, we are undoubtedly shipping mine machinery to Russia under lend-lease, and it is very advisable for us to do so.

Senator MILLIKIN. Why; if I may ask?

Mr. NELSON. Russia is bearing the brunt of the war for us today, and if they can use the mining machinery that we send them to make more machines with which to fight, it is helping us.

Senator MILLIKIN. What about their other mining activities?

Mr. NELSON. I must take it for a fact that Russia is going to use the mining machinery we ship them for the one ultimate purpose of winning the war.

Senator MILLIKIN. Are we not shipping mining machinery for gold and other precious metals?

Mr. NELSON. Mining machinery that is shipped to a country can be used either in gold mines or strategic mines, but, as I said, I cannot conceive that Russia would be using any machines under this present emergency except for one thing, and that is to get strategic metals out of the ground.

Senator MILLIKIN. Well, South Africa is mining gold.

Mr. NELSON. I do not consider South Africa and Russia in the same category.

Senator MILLIKIN. South Africa is in the war. She has been engaged in battles in the Mediterranean area. She is definitely in the war.

Mr. NELSON. She is in the war, but not in the same category as Russia.

Senator MILLIKIN. Well, I do not see much difference between a man spilling blood in Russia and spilling blood on the south shore of the Mediterranean, but that is beside the point.

I should like to ask you one more question, Dr. Nelson. Who made the decision as to what part of mining machinery factories should go to the manufacturer of articles other than mining machinery? Whose decision was that?

Mr. NELSON. The makers of mining machinery month after month attempted to get high priorities from Washington to make mining machinery. They could not get that. At the same time, the representatives of the Army and the Navy, knowing they had the finest precision tools of any manufacturing shops in the United States, went to them and demanded that they take on certain orders and gave them an A-1-A rating for this order.

Therefore, you had a maker of mining machinery with a superb plant, attempting to manufacture mining machinery on ratings of A-3 or lower, for which he could not get the raw materials. On

either side he had part of his plant capacity working with A-1-A ratings on an Army contract or a Navy contract.

It was thorough, logical that pressure be put on that maker of mining machinery by the Army and Navy to take on orders, and when he took on an order, in a few months the Army and the Navy would say, "Double that order."

It was only with the greatest difficulty that we were able to get the makers of mining machinery to fight on with these low priorities and struggle to continue to make mining machinery, and that was rectified by order P-56 as amended on March 2, as the first step, and finally rectified in April by a determination of Mr. Batt's Requirements Committee. So that today the makers of mining machinery have an A-1-A rating for their raw materials for the making of mining machines, which puts them on a parity with that part of their plant used in the making of munitions.

In other words, we have been able, by restricting the use of mining machinery, to get the makers of mining machinery put on a parity with makers of munitions. We have done everything that we could possibly do to help the mining industry in every way. We have obtained for them higher ratings as a whole industry than I think any other industry has as a whole.

I have often wondered why some of the big manufacturers of the mining machinery continued for several months to make mining machines when they could have taken their whole plant's capacity and made Army and Navy munitions on a high rating, and they would have known that whenever they had a shortage of any raw material the Army and Navy would have it in that plant the next day. Yet they continued, because they loved mining and loved the mining industry.

Senator MILLIKIN. One good reason why they should continue to make mining machinery is that, under your own testimony, strategic minerals are essential to winning the war. That is what prompted my question with respect to the difference between the machine that makes the essential minerals and the machine that makes the fighting machines or the tools. There has to be a balance, and I assume that someone passed judgment on it.

Mr. NELSON. No one passed judgment on it.

Senator MILLIKIN. It grew up like Topsy?

Mr. NELSON. It grew up like Topsy, but they did maintain part of their plant capacity for the making of mining machinery. That is all I can say.

Senator JOHNSON of Colorado. Dr. Nelson, I concur fully in what my colleague has said about the unfortunate formula, the 30 percent or the 30-cent clause. I want also to express appreciation for your exercise of the relief clause insofar as Colorado is concerned, because you have been most helpful in your exercise of that clause.

In my judgment, the whole situation would be greatly improved if that 30 percent clause could be taken out of the picture. I agree with everything that Senator McCarran has said—that it is a sort of wet blanket over the whole industry.

I am wondering how many mining operations were eliminated from review by the 30 percent clause. I presume that the reason that you put that screen in there was to sift out certain mining operations that

you would not have to review, operations that might possibly be producing tungsten, molybdenum, lead, zinc, and copper, and no silver or gold. I presume you wanted to sift them out. How many operations were eliminated from review by the 30 percent clause?

Mr. NELSON. Between three and four hundred mines had their numbers withdrawn.

Senator JOHNSON of Colorado. And how many did not have their numbers withdrawn?

Mr. NELSON. We have between eight and nine thousand mines in the United States working under serial numbers under this order, but they are not all metal mines; over half of them are coal mines. A large additional number are quarries producing stone, sand and gravel, and nonmetallic materials.

I cannot give you the exact number of metal mines having serial numbers, but I can say that slightly over 300 such numbers were withdrawn from mines producing gold and silver and over 200 were reinstated.

Senator McCARRAN. Apropos Senator Johnson's question and Dr. Nelson's answer, some time ago I wrote to mine divisions and mine departments of various States, and I have here a very comprehensive answer, I think, from the Bureau of Mines of the State of Colorado, dated May 2, 1942, in which Mr. Arthur, Commissioner of Mines, states:

Replying to your letter of April 21, 1942, regarding the question of the priority order of March 2, will say as follows:

The time is rather short to get actual facts on the workings of the priority situation. I am adopting a plan at the present time of having my inspectors, when they report on a mining property, give a general idea of how the priority situation is affecting it. This is not for publication but just for the purpose of getting at the actual facts. It will probably bring out some very fair information but it will take some time to get a line on what we want. I am personally quite familiar with a large number of the properties throughout the State and have made some study of the matter.

Your first question is: "How many properties, if any, have shut down as the result of the priority order of March 2?" The number of properties shut down as a result of this order is unknown as some of the mines had small supplies of repairs, steel and other necessary equipment on hand, although most of the small mines carry very few supplies. Until the supplies are exhausted, we cannot tell just how far reaching the order has been.

The second question as to what properties may shut down on account of this priority order will be hard to answer. It will depend, as I said before, on the amount of supplies on hand by the various properties, but there is no doubt at all that if the priority order as given out on March 2 is made to stand, a large number of the smaller properties will be compelled to suspend operations.

The publicity given the priority situation has had a very serious effect on the labor question on many properties. A number of men, especially the smaller lessees, have felt that they would probably have difficulty in obtaining the materials needed and have decided to close down and go where they can get apparently better wages working in the arms plants or other places of that nature.

This publicity has also had a very serious effect on obtaining capital for developing new properties, especially those that produce silver and gold, even though the lead, zinc, and other war minerals predominate in quantity.

It may be said that the forcing of priority conditions on a number of mining districts came as a very great shock to them and, if not remedied, will undoubtedly cause a number of the mining operations in Colorado to cease entirely. Many men who are getting on in years and have no experience in anything else except the particular class of mining in which they have been employed will be thrown out of employment, and many will lose their homes and everything they own.

It is impossible to estimate the number of mines that have been prevented from beginning operations. These mines require capital for commencing operations,

and the situation as created by the priority-order publicity has absolutely precluded obtaining capital for these purposes.

I shall be glad at any time to furnish any further information I have that you may require.

Very sincerely yours,

(Signed) EDWARD P. ARTHUR,
Commissioner of Mines.

I draw that to your attention to emphasize what I tried to bring to your attention the other day—that the publicity given to this has had a detrimental effect. Of course, you answered by saying that your production was greater, but the answer to that is that you have made it greater by giving out the money of the Treasury to increase the production of this war effort, which was a commendable feature, but then, again, the price has increased.

Mr. NELSON. We were not responsible for the large amount of publicity which came out with regard to this order.

Senator McCARRAN. The consternation that was created gave the publicity, to be frank with you.

Mr. NELSON. Furthermore, the letter you have read gives me the impression that the small operator is just going to sit down and use up his supplies and not attempt to use any PD-1-a or use the P-100 to get additional materials.

Remember that there have been many mines operating in this country since September 22 on P-100's and PD-1-a's, and they have worked successfully in getting repair parts on PD-1-a forms.

If these small operators need an occasional repair part that will not interfere with our war effort, there is no reason why they should not receive such a repair part or receive a rating from us that would permit them to get such a repair part.

I feel that the letter you read definitely gives the impression that they are going to use up their supplies and not attempt to get anything else.

Senator McCARRAN. I wish to say to you, Doctor, right on that subject, that I have before me, furnished me by the mine inspector of the State of Nevada, a number of replies to his questionnaire. I shall read some of them:

We will try to keep going as long as we have tools and equipment on hand or that we can get, but will have to close down for lack of any vital repair part, or the wearing out of what we are now using.

Mr. NELSON. From what mine was that?

Senator McCARRAN. That comes from W. W. Hartman, Wall Street Mine, Nelson, Nev.

Here is another one from P. A. Simon, president of the Diamond Gold Mining Co. This is addressed to the State Mine Inspector:

Replying to your circular letter of the 23d instant, relative to the effect of the cancellation of preference rating order P-56, so far as gold and silver mines are concerned, we had sufficient supplies and repair parts on hand on March 2, 1942, so that said cancellation has not affected us as yet.

Then I have one from Austin Bros. Gold Mining Co. The effect of it is that they will shut down when their machinery has broken down or they have run out of parts.

Here is another from Central Comstock Mines Corporation:

This company is not yet in production but has spent 1 year in rehabilitating and reconditioning the mine and mill, much of the material used having been on

the property. Lack of the necessary priority rating will cause difficulties in securing the small amount of material necessary to put the plant again in operation. We have expended more than \$40,000 on labor alone.

Here is another one from the Summit King Mines, Ltd., at Fallon, Nev., which says:

We expect that when our present supplies are exhausted we will have to shut down. Labor is also very scarce and this may be a factor in closing us down.

The El Dorado Rover Mining Co. of Nelson, Clark County, Nev., says:

Because of some inventory stored up many months ago and prior to Office of Price Administration, we are now able to continue operating. At present time lack of labor has caused us to lose daily production of about 25 percent of normal.

Here is one from Desert Silver, Inc., at Nivloc, Nev.:

Our essential supplies, such as grinding balls and zinc dust will be exhausted about September 1. If we are unable to replenish them with the existing priority status we will be forced to shut down about that time.

Mr. NELSON. Didn't they say that if priorities would not shut them down, labor would?

Senator McCARRAN (reading):

We do not know whether or not we will be able to replenish these supplies with our A-10 priority rating.

He says this about labor:

To date no effect as far as supplies is concerned.

In other words, he explains that he had supplies.

Labor believes, however, as we do, that we will not be able to replenish some of our necessary supplies when exhausted, and many of them expect we will close down in three or four months and are therefore leaving as fast as they can find other jobs. Thus a labor shortage is resulting.

In other words, labor knows how much of a supply they have, and labor interprets your order in the language in which it is drawn, and they simply say, "Well, this thing is going to shut down, and I am going to go while the going is good."

Here is one from the Black Mammoth Consolidated Mining Co., Prescott lease, James R. Fyfe, manager, at Silver Peak, Nev., which says:

On account of the statement that Mr. Wilbur Nelson made at the meeting at Reno, Nev., March 15, 1942, and on account of the fact that a large number of items necessary for maintenance and repairs could not be obtained under an A-10 rating, we decided to discontinue operations and put our plant and equipment on a strategic mineral property if possible. We are endeavoring to put our equipment back into A-1 shape in order that we may do this.

They moved their equipment, as I recall it, to Arizona.

Mr. NELSON. That is right. They have gone to producing strategic materials.

Senator McCARRAN. The Standard Cyaniding Co., Box 357, Lovelock, Nev., says:

Will probably be able to run until supply of grinding rods is used up.

Mr. NELSON. They estimate that their grinding rods will be used up December 1.

Senator McCARRAN. This one from the Consolidated Virginia Mining Co., Virginia City, Nev., says:

While the order of March 2 has not shut us down, it certainly has not stimulated the gold and silver mining industry. The mining stock market has been depressed and our future is as uncertain as it is unpredictable.

Mr. NELSON. My information from that company is that there has been no curtailment in purchases, although it has been necessary to anticipate requirements further in advance.

Senator McCARRAN. Now the Northumberland Mining Co., Tonopah, Nev., says:

We are using up our inventory and are not able to get replacements on necessary parts. Rock-drill parts are becoming exceedingly hard to get.

The Consolidated Chollar Gould & Savage Mining Co., of Gold Hill, Nev., says:

The immediate effect of the March 2 amendment to preference rating order No. P-56 was to deprive us of our tire supply, and therefore to make impossible continuance of our method of mining with power shovel and motor trucks, which method was carried on by a contractor and his equipment.

Mr. NELSON. We are not responsible for the tire supply.

Senator McCARRAN. No. That is true. I notice you always get out from under responsibility. I do not blame you.

Mr. NELSON. I wish I were, because I would see that some of the strategic mines would get what they need in the way of rubber, because it is affecting vanadium and one or two very essential mining operations. I am always ready to accept responsibility when I am given the authority to do so.

Senator McCARRAN. That is true.

Those are some of the reports that have come in here from the State of Nevada, and I take it that if similar questionnaires had been sent out in other States—and I make this statement based on the Colorado Bureau of Mines statement—they would have reflected somewhat the same condition, perhaps on a larger scale.

The CHAIRMAN. Are there any further questions to be submitted to Dr. Nelson?

Representative ENGLEBRIGHT. Just one question. Doctor, I dislike to come back to this question of policy again, but in drawing your order with the 30 percent clause for gold and silver mines, was any consideration given to the fact that gold and silver mining activities aside from copper, have been the backbone of the mining industry in the West and that continuance of gold and silver mining activities kept in order an organization skilled in mining, an organization that could divert its funds into the development of strategic minerals, and also supply miners and skilled men for strategic mineral activity, and that if you eliminated your gold and silver mine activities you would eliminate practically all the mining organization of the West? Would you consider that?

Mr. NELSON. I am afraid I cannot follow you that far, and, furthermore, I have to realize that we are fighting a war different from any war that we have ever been engaged in, and what may have been true in the past does not necessarily remain true under present conditions.

Representative ENGLEBRIGHT. But you have stated that you want to stimulate the production of strategic minerals. To do that you have to have miners, you have to have geologists, you have to have men skilled in the industry; and if you kill the source of such supply

and such people and such finances, I cannot follow you to the extent that you are helping the strategic minerals industry, unless you go to Government financing.

Mr. NELSON. Today there are many more miners being trained in mines that are not gold mines than there are in gold mines, because gold mining is not the major part of the mining industry of the West.

Representative ENGLEBRIGHT. It has supplied the financing of the major part of the mining industry in the West.

Mr. NELSON. It has in the past, but, as I said, conditions in this war are different from any conditions that this country has ever been faced with.

Representative ENGLEBRIGHT. Do you not think that if some encouragement were given or of the 30 percent clause had not been placed in the order you would have had less Government financing to aid the situation than you have at the present time?

Mr. NELSON. I do not think that would have changed the picture in any way.

Representative ENGLEBRIGHT. I am sorry I cannot agree with you on that, Doctor, but I wanted your reaction to that.

Senator McCARRAN. Mr. Chairman, I respectfully request that the committee request of Dr. Nelson and his Board to furnish to the committee an inventory of the mines in America that have applied for priorities and the mines that have been granted priorities since the 2d of March 1942, and those that have not been granted priorities, and the reasons why priorities were granted on occasions when they were granted and the reasons for their denial when they were denied.

Would that take long to furnish?

Mr. NELSON. I would have to read over carefully that statement, but it impresses me that it might take a good many of the people in my organization off their work which they are carrying on to keep the mines operating. That is a rather large order you give us, and we would prefer much more to have all of our productive efforts in keeping the mines of the United States going than in getting up statistical data, although we naturally will defer to your wishes.

Senator McCARRAN. Well, I do not think, with the increase of clerical help that is coming into the city of Washington, at the rate of about 10,000 a week, that you will be deprived of any activity to keep the mines going.

I respectfully suggest, Mr. Chairman, that the request be made and the doctor can let us know whether or not it is a hardship to him. I think it would be most interesting to this committee, and I think it would give this committee a full view of all the doctor has tried to put before us.

The CHAIRMAN. I suggest that the reporter furnish the secretary with a copy of Senator McCARRAN's request, that the secretary send that to Dr. Nelson, and then he can advise the secretary for the committee his reaction to the request.

Mr. NELSON. And the time it will take to get it up.

The CHAIRMAN. And such pertinent facts as you see are proper. Then when we get your answer, we will take it up.

Mr. NELSON. Very good, sir.

[The matters above referred to follow:]

WAR PRODUCTION BOARD,
Washington, D. C., June 1, 1942.

SPECIAL SILVER COMMITTEE OF THE SENATE,
Washington, D. C.

(Attention Mr. Albert Grorud, Secretary.)

GENTLEMEN: I am attaching two lists requested by Senator Patrick McCarran at the time of the recent silver hearing. List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between March 2, and May 15, 1942.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100.

Very truly yours,

WILBUR A. NELSON,
Administrator of Mining Branch.

List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942

ALABAMA—PREFACE NO. 22

Serial No.	Name	Date	Type of mine
272	Elmore Silica Co., Elmore, Ala.	Mar. 10, 1942	Nonmetallic.
273	Wilkinson Ore Co. (Thagard, Golsen Mooren), Greenville, Ala.	Apr. 8, 1942	Metallic.
274	Alabama Clay Products Co. (plant at Bessemer, Ala.), Birmingham, Ala.	May 6, 1942	Nonmetallic.
275	Republic Steel Corporation (Defense Plant Corporation), Bayre mine at Birmingham, Ala.	May 13, 1942	Coal.

ARIZONA—PREFACE NO. 48

153	Helvetic Mining & Milling Co. (Lander & Copper World Mines), Tucson, Ariz.	Mar. 16, 1942	Metallic.
154	Hooten, William A. (Republic mine at Dragoon, Ariz.), Tucson, Ariz.	Mar. 19, 1942	Do.
155	Consolidated Feldspar Corporation (Kingman Feldspar Co.), Kingman, Ariz.	do.....	Nonmetallic.
156	Pine Mountain Mercury Mines (mines in Sunflower, Ariz.), Phoenix, Ariz.	Mar. 31, 1942	Metallic.
157	Manganese Ore Co. (M. A. Hanna Co., Artillery Peak mine), post office Congress Junction, Ariz.	do.....	Do.
158	Sullivan Machinery Co., Michigan City, Ind. (drilling operations at Mohave County, Ariz.).	do.....	Drillers.
159	Henry W. Berger (Berger and Phillips mine), Kingman, Ariz.	Apr. 3, 1942	Metallic.
160	Shattuck Denn Mining Corporation (Shattuck mine), Bisbee, Ariz.	Apr. 7, 1942	Do.
161	Orizaba Mining Co., Phoenix, Ariz.	do.....	Do.
162	Asbestos Mines of Arizona (group of 6 claims), Globe, Ariz.	Apr. 9, 1942	Nonmetallic.
163	N. C. Burson, Los Angeles, Calif., mine in Pinal County, Ariz.	Apr. 11, 1942	Metallic.
164	Rob Roy Development Co. (Chicago lead claims), Yuma, Ariz.	Apr. 14, 1942	Do.
165	Arizona Lead Co. (Castle Dome lead mine), Yuma, Ariz.	do.....	Do.
166	Grand Canyon Lime & Cement Co. of Arizona (Nelson Quarry), Nelson, Ariz.	Apr. 15, 1942	Nonmetallic.
167	Paul Ducker (Little Butte mine), Bouse, Ariz.	Apr. 22, 1942	Metallic.
168	American Smelting & Refining Co. (Chief mine), Tucson, Ariz.	Apr. 23, 1942	Do.
169	Storm Cloud Lease (Storm Cloud mine at Prescott, Ariz.), Phoenix, Ariz.	May 8, 1942	Do.
170	Castle Dome lead mine, Arizona Lead Co., Yuma, Ariz.	May 9, 1942	Do.

ARKANSAS—PREFACE NO. 25

182	Quachita Minerals, Inc. (East Grant mine), Mena, Ark.	Mar. 9, 1942	Metallic.
183	Arkansas Slate Manufacturing Co., Inc., Glenwood, Ark.	do.....	Nonmetallic.
184	American Cyanamid & Chemical Corporation, New York, N. Y.	do.....	Do.
185	Pulaski County, Ark., mines	do.....	Do.
186	Wann Mercury Mining Co., Morrisburg, Ark.	Mar. 31, 1942	Metallic.
187	Arkansas Coal Co. (mine in Clarksville, Ark.)	Apr. 14, 1942	Coal.
188	Paris Purity Coal Co. (Paris Purity No. 5), Paris, Ark.	Apr. 21, 1942	Do.
189	Hoxey & Rogers Manganese Co. (W. A. Chinn, Mary Tate, Bell Hill, Marcus Miller mines), Cushman, Ark.	May 13, 1942	Metallic.

List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942—Continued

CALIFORNIA—PREFACE NO. 31

Serial No.	Name	Date	Type of mine
365	Pacific Minerals Co., Ltd. (Chili-Bar slate quarry and mine), Richmond, Calif.	Mar. 2, 1942	Nonmetallic.
366	Star Spring Mercury, Inc., Skaggs Springs, Calif.	Mar. 10, 1942	Metallic.
367	Boyles Bros. Drilling Co., Salt Lake City, Utah (drilling at Desert Center, Calif.)	Mar. 6, 1942	Drillers.
368	Telsa Clay & Sand Co. (Telsa Pit), San Francisco, Calif.	Mar. 11, 1942	Nonmetallic.
369	Industrial Minerals & Chemical Co. (Spanish mine, Berkeley, Calif.)	Mar. 21, 1942	Do.
370	Sharp & Fellows Contracting Co. (Oro Grande crushing plant, Los Angeles, Calif.)	Mar. 26, 1942	Do.
371	E. B. Bishop (Stoney Creek sand and gravel plant), Orland, Calif.	do.	Do.
372	Mineral Reduction Co. (custom mill), Laws, Calif.	Mar. 31, 1942	Metallic.
373	Canceled.	May 5, 1942	Do.
374	Bishop Antimony Mining Co. (Bishop antimony mine), Bishop, Calif.	Apr. 9, 1942	Do.
375	Frank W. Royer (Kelly mine lease), Red Mountain, Calif.	do.	Do.
376	C. & H. Mining Co. (for tungsten mill only), Weldon, Calif.	Apr. 17, 1942	Do.
377	Refractories Corporation (fire brick plant), Los Angeles, Calif.	do.	Nonmetallic.
378	Graham Bros., Inc. (Orange plant), Orange, Calif.	Apr. 21, 1942	Do.
379	Calavera Materials Co. (Calavera), Oceanside, Calif.	do.	Metallic.
380	M. & N. Tungsten Mines Co. (gold wash claim), Burbank, Calif.	do.	Do.
381	U. S. Flare Corporation (Hipeak tungsten mine), Los Angeles, Calif.	May 4, 1942	Do.
382	Symons Bros. Mine Co. (custom mill), Hollywood, Calif.	May 5, 1942	Do.
383	Pacific Portland Cement Co. (San Juan Bautista, San Benito County, Calif.)	May 6, 1942	Nonmetallic.
384	E. B. Bishop (Kearwick slag job at Shasta, Calif.), Orland, Calif.	do.	Do.
385	National Tungsten Co. (Bruce group of mines), Long Beach, Calif.	May 9, 1942	Metallic.
386	Victory Chrome Co. (Victory mine), Auburn, Calif.	May 13, 1942	Do.
387	Mitchell Diamond Drill Co. (drilling operations in Merced, Calif.)	May 15, 1942	Do.
388	Chandler's Palos Verdes Sand & Gravel Co., Lomita, Calif.	May 15, 1942	Nonmetallic.
389	J. K. Remsen (Three Sisters and all other mines), Siskiyou and Del Norte Counties, Calif.	May 16, 1942	Metallic.
390	Panamint, Inc. (Adamson mine, Pine Creek area, Bishop, Calif.)	May 18, 1942	Do.

COLORADO—PREFACE NO. 38

224	Boyles Bros. Drilling Co., Salt Lake City, Utah (drilling at Ciltmax, Colo.)	Mar. 5, 1942	Drillers.
225	Fordyce Gravel Co. (for Colorado pit), San Antonio, Tex., office	Apr. 9, 1942	Nonmetallic.
226	W. E. Gibson, Nederland Star Route, Boulder, Colo.	Apr. 13, 1942	Metallic.
227	The Taylor Coal Mining Co. (Rouse mine), Walsenburg, Colo.	Apr. 14, 1942	Coal.
228	Double Dick Coals (for mine only), Florence, Colo.	Apr. 16, 1942	Do.
229	Vanadium Corporation of America's Associates' (mining operations in Boulder, Colo.)	Apr. 17, 1942	Metallic.
230	Geo. R. Rogers, Salida Limerock Co. (limerock quarry at Wellsville, Colo.)	Apr. 22, 1942	Nonmetallic.
231	The Colfax Pressed Brick Co. (for pits only), Denver, Colo.	Apr. 24, 1942	Do.
232	Huerfano Coal Co. (Ludlow mine, Ludlow, Colo.), Denver, Colo.	Apr. 28, 1942	Coal.
233	C. Ryan & Son (mine in Ciltmax, Colo.), Lakewood, Colo.	Apr. 29, 1942	Nonmetallic.
234	Molybdenum Corporation of America (the Urad mine at Clear Creek County, Colo.)	May 5, 1942	Metallic.
235	W. E. Gibson (Sunny Side mill), Boulder, Colo.	May 12, 1942	Do.
236	Denver Mortar & Materials Co., Denver, Colo.	May 14, 1942	Nonmetallic.
237	Roy Lee, Trustee (Yokon Tunnel, Cement Creek, Silverton, Colo.), Dallas, Tex.	May 15, 1942	Metallic.

CONNECTICUT—PREFACE NO. 3

40	The Iron Ledge Co., Bridgeport, Conn.	Apr. 25, 1942	Nonmetallic.
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DELAWARE—PREFACE NO. 1

3	The Pyrites Co. (iron sintering plant), Wilmington, Del.	Apr. 7, 1942	Metallic.
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DISTRICT OF COLUMBIA—PREFACE NO. 40

2	United Brick Products (United Brick Corporation), Bladensburg Rd. and New York Ave. N.E., Washington, D. C.	Mar. 31, 1942	Nonmetallic.
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List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942—Continued

FLORIDA—PREFACE NO. 27

Serial No.	Name	Date	Type of mine
71	Ris Mineral Co. (Palm Bay mine), West Palm Beach, Fla.	Mar. 18, 1942	Nonmetallic.
72	Tigertail Quarries, Inc., Danis, Fla.	Apr. 3, 1942	Do.
73	Bradenton Dredging Co., Inc. (dredging oyster shell in Manatee River, Fla.)	May 15, 1942	Do.

GEORGIA—PREFACE NO. 4

88	Dellinger, Brown & Duckett, Cartersville, Ga.	Mar. 10, 1942	Nonmetallic.
89	Bureess Battery Co. (plant in Cartersville, Ga.), Freeport, Ill., office	Mar. 20, 1942	Metallic.
90	Cedartown Iron Ore Co., Cedartown, Ga.	Apr. 21, 1942	Do.
91	Merry Bros. Brick & Tile Co., Augusta, Ga.	Apr. 30, 1942	Nonmetallic.
92	G. A. Moore, 712 Main St., Cedartown, Ga.	May 5, 1942	Metallic.
93	W. P. Buckner, Barnesville, Ga.	do.	Nonmetallic.
94	Joe A. Mosteller, Cartersville, Ga.	May 8, 1942	Metallic.
95	Skilton Construction Co. (Inmann mine at Canton, Ga.) Louisville, Ky.	May 14, 1942	Do.
96	Oconee Clay Products Co.	do.	Nonmetallic.
97	Clay mine, Milledgeville, Ga.	do.	Do.

IDAHO—PREFACE NO. 43

71	Idaho Fire Brick & Clay Co., Troy, Idaho	Apr. 9, 1942	Nonmetallic.
72	Crystal Lead Mines Co., Wallace, Idaho	do.	Metallic.
73	Hercules Mining Co. (Hercules mill), Wallace, Idaho	do.	Nonmetallic.
74	Federal Mining & Smelting Co. (Frisco mine), Wallace, Idaho	May 8, 1942	Metallic.
75	Associated Engineers Co., Inc. (Nugent antimony property), Boise, Idaho	May 9, 1942	Do.

INDIANA—PREFACE NO. 19

332	Sullivan Machinery Co.	Mar. 9, 1942	Metallic.
333	Michigan City, Ind.	do.	Do.
334	do.	do.	Do.
335	Standard Materials Corporation, 610 Illinois Bldg., Indianapolis, Ind. (Montezuma)	Mar. 25, 1942	Nonmetallic.
336	Pell Coal Corporation (Pell mine), Brazil, Ind.	Apr. 23, 1942	Coal.
337	Hill Crest Mining Co., Booneville, Ind.	do.	Do.
338	Enkoff Coal Co. (Enkoff mine), Montgomery, Ind.	do.	Do.
339	Black Diamond Mining Co. (black diamond), Booneville, Ind.	do.	Do.
340	American Aggregates Corporation (mine in Indianapolis, Ind.), Greenville, Ohio	Apr. 28, 1942	Nonmetallic.
341	Hoefer Moulding Sand Co. (mine in Martinsville, Ind.), Mattoon, Ill.	May 8, 1942	Do.
342	Indiana Slag & Ballast Co. (slag dump of Inland Steel Co.), East Chicago, Ill.	do.	Do.
343	Pell Coal Corporation (Pell pit at Brazil, Ind.), Brazil, Ind.	May 8, 1942	Coal.

ILLINOIS—PREFACE NO. 21

433	Sunnyside Mining Co., Inc., Cave In Rock, Ill.	Mar. 9, 1942	Metallic.
434	Canfield & Clark, Dallas City, Ill.	Mar. 11, 1942	Nonmetallic.
435	The Alsey Brick & Tile Co. (McLaughlin mine), Alsey, Ill.	Mar. 12, 1942	Do.
436	Geo. M. Pendergast & Co., Inc. (Silica plant 2 miles east of Utica, Ill.)	Mar. 13, 1942	Do.
437	Francis Stone Co., Chicago, Ill.	Mar. 25, 1942	Do.
438	Geo. H. Chandelier Sand Co. (Utica crude pit), Ottawa, Ill.	Apr. 8, 1942	Do.
439	P. C. Belrose Sand & Co. (Ottawa crude pit), Ottawa, Ill.	do.	Do.
440	Beecher Williams (Humm mine), Herod, Ill.	Apr. 9, 1942	Do.
441	The Mine "B" Coal Co. ("A" mine), Springfield, Ill.	do.	Coal.
442	Concrete Materials Co. (mine in Byron, Ill.), Waterloo, Iowa, office	Apr. 15, 1942	Nonmetallic.
443	Chicago Fire Brick Co. (yard No. 3), Chicago, Ill.	Mar. 21, 1942	Do.
444	Green Valley Coal Co., Marion, Ill.	Apr. 21, 1942	Coal.
445	Standard Materials Corporation (plant in Amboy, Ill.), Indianapolis, Ind., office	Apr. 23, 1942	Nonmetallic.
446	H. R. Ameling Prospecting Co. (drilling operations at Rosiclare, Ill.)	Apr. 28, 1942	Metallic.
447	Coogan Gravel Co. (mine in Chillicothe, Ill.), Peoria, Ill.	May 4, 1942	Nonmetallic.
448	Pittsford Jointless Firebrick Co. (Illinois plant), Chicago, Ill.	May 6, 1942	Do.
449	Ottawa Hydraulic Silica Corporation (Bull Island, Ill., plant), Chicago, Ill.	May 13, 1942	Do.

List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942—Continued

IOWA—PREFACE NO. 20

Serial No.	Name	Date	Type of mine
183	Coon Valley Gravel Co., Des Moines, Iowa	Apr. 18, 1942	Nonmetallic
184	Des Moines Sand & Fuel Cooperative Association, Des Moines, Iowa	Apr. 21, 1942	Do.
185	White Ash Mining Co., Inc. (white ash No. 2), Albion, Iowa	May 13, 1942	Coal
186	Mason City Brick & Tile Co., Mason City, Iowa	May 19, 1942	Nonmetallic

KANSAS—PREFACE NO. 24

140	Fort Scott Hydraulic Cement Co., Fort Scott, Kans.	Mar. 23, 1942	Nonmetallic
141	Coca Consolidated Cement Corporation (Fredonia mine at Fredonia, Kans.), Chicago, Ill.	Apr. 18, 1942	Do.
142	The Centerville Coal Co., Inc. (new No. 9 mine), Cherokee, Kans.	Apr. 21, 1942	Coal
143	Stuart Simpson, McPherson, Kans.	do	Nonmetallic
144	Midwest Pre Cote Co. (quarry in Parsons, Kans.)	Apr. 28, 1942	Do.
145	McArthur Mining Co. Kansas Corporation (Grantham lease), Baxter Springs, Kans.	May 4, 1942	Metallic
146	Mineral Products Co., Pittsburg, Kans.	May 11, 1942	Do.

KENTUCKY—PREFACE NO. 15

491	Kentucky Fire Brick Co. (Nos. 9, 10, 12, 13 mine, Nos. 1 and 2 plant), Haldeman, Ky.	Mar. 4, 1942	Nonmetallic
492	Belfry Coal Co. (Oronoca mine), Belfry, Ky.	do	Coal
493	Disle Blue Gem Coal Co., Nevisdale, Ky.	Mar. 16, 1942	Do.
494	Vincent Mining Co. (mine No. 1), Soldier, Ky.	Mar. 30, 1942	Nonmetallic
495	Slippery Brick Co. (pits only), Staunton, Ky.	do	Do.
496	R. L. Brown Coal Mine (R. L. Brown mine), Providence, Ky.	Mar. 30, 1942	Coal
497	Saxon Coal Corporation (mine in Kentucky), Williamsburg, Ky.	Apr. 3, 1942	Do.
498	Cumberland Fluorspar Co. (mine at Mexico, Ky.)	Apr. 7, 1942	Metallic
499	Hoffman Bros. Drilling Co. (drill operations in Kentucky)	Apr. 9, 1942	Drillers
500	Phillips & White (Baker mine), Hima, Ky.	do	Coal
501	Evans Elkhorn Coal Co. (Feds Creek mine), Feds Creek, Ky.	do	Do.
502	Feds Creek Coal Co., Inc. (Paw Paw mine), Hima, Ky.	Apr. 14, 1942	Do.
503	Manchester Coal Co., Inc. (Epocon mine), Pikeville, Ky.	do	Do.
504	Elkhorn Ferguson Coal Co. (Epocon mine), Pikeville, Ky.	do	Nonmetallic
505	Bonanza Mines, Inc. (Bonanza mines), Marion, Ky.	Apr. 21, 1942	Coal
506	Chloe Elkhorn Coal Co. (Thompson mine), Pikeville, Ky.	do	Do.
507	Maddox Coal Co. (Maddox mine), Beaver Dam, Ky.	Apr. 24, 1942	Do.
508	Elkhorn Mining Co. (Lower Elkhorn mines), Praise, Ky.	May 6, 1942	Nonmetallic
509	Stone Products Co. (open face quarry north of Marion, Ky.)	May 7, 1942	Coal
510	Lenies River Coal Co. (Lenies River mine), Fed Creek, Ky.	do	Do.
511	Smith Coal Co., Lothal, Ky.	May 14, 1942	Nonmetallic
512	Crider, W. H. (W. H. Crider fluorspar mill), Mexico, Ky.	do	Coal
513	Rothord & Phillips (Austin City mines), Nortonville, Ky.	do	Do.

MINNESOTA—PREFACE NO. 32

118	S. E. Atkins, Co., Duluth, Minn.	May 5, 1942	Metallic
119	Drilling at Coleraine, Minn.	do	Do.
120	Drilling at Trommsdall, Minn.	do	Do.
121	L. Hultgren & Sons, Kerriek, Minn.	Feb. 24, 1942	Nonmetallic
122	Henry J. Kruse, Aitkin, Minn.	Feb. 25, 1942	Metallic
123	Hanna Iron Ore Co. (Draper annex mine at Marble, Minn.), Cleveland, Ohio	Apr. 21, 1942	Do.
124	Hedberg-Freidheim & Co. (Hedberg-Freidheim Co. pit), Minneapolis, Minn.	do	Nonmetallic
125	Clement K. Quinn Ore Co. (Shada mine, open pit and washing plant), Nashua, Minn.	do	Metallic
126	Evergreen Mines Co.	do	Do.
127	Greenway wash mine, Crosby, Minn.	Apr. 27, 1942	Do.
128	Weebing mines, Crosby, Minn.	Apr. 30, 1942	Nonmetallic
129	Clearwater Gravel Co. (Bwabik, sand and gravel plant) Duluth, Minn.	May 6, 1942	Do.
130	Great Northern Ry. Co. St. Paul, Minn.	May 14, 1942	Metallic
131	Winona Sand & Gravel Co. (pit 4A), Winona, Minn.	May 15, 1942	Nonmetallic
132	Standard Building Materials Co. (Standard pit No. 3), South St. Paul, Minn.	do	Do.

List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942—Continued

MISSISSIPPI—PREFACE NO. 20

Serial No.	Name	Date	Type of mine
32	Fleming Gravel Co., Columbus, Miss.	Apr. 21, 1942	Nonmetallic

MISSOURI—PREFACE NO. 24

562	Superior Mineral Co. (Cherryvalley Mine) Cadet, Mo.	Mar. 6, 1942	Nonmetallic
563	Irvin Bethel (Nash Bethel mine), New Florence, Mo.	Mar. 11, 1942	Do.
564	Arrow Tiff Mine, Fotsal, Mo.	Mar. 21, 1942	Metallic
565	Aluminum Flake Co. (Dillon pits in St. James, Mo.), Akron, Ohio, office	do	Nonmetallic
566	LaCade-Christy Clay Products Co. (mine No. 42 at Wellsville, Mo.), St. Louis, Mo.	Apr. 3, 1942	Do.
567	Louis Heidel & Sons (Heidel big pit), Rosebud, Mo.	Apr. 7, 1942	Do.
568	Obed Hall (Obed Hall mine), Whiteside, Mo.	Apr. 8, 1942	Do.
569	Lemons Bros. (drilling operations for La Motte Corporation at La Motte, Mo.)	do	Metallic
570	Forest Johnson (sand quarries in Gasconade County, Mo.), New Florence, Mo.	Apr. 14, 1942	Nonmetallic
571	C. B. Logan (Thoroughman pit), New Florence, Mo.	Apr. 18, 1942	Do.
572	Missouri Iron Mining Co. (Christy, Merima, Pioneer Nos. 1 and 2 mines), Steelville, Mo.	Apr. 28, 1942	Metallic
573	Centropolis Crusher Co., Kansas City, Mo.	May 4, 1942	Nonmetallic
574	Missouri-Illinois Material Co. (pit at Pacific, Mo., plant at St. Louis, Mo.)	May 6, 1942	Do.
575	W. K. Holland (W. K. Holland pit), Steadman, Mo.	May 13, 1942	Do.
576	Carrabine Sand & Gravel Co., Webster Groves, Mo.	do	Do.
577	Myron Baker, contractor (Kaboka quarry at Kaboka, Mo.), Independence, Iowa	do	Do.
578	Finetech Bros. (Oak Hill Fire Clay Co.), Maplewood, Mo.	do	Do.
579	Kansas Explorations Inc., Jasper mine, Post office Box 193, Joplin, Mo.	May 15, 1942	Metallic
580	American Zinc, Lead & Smelting Co. (Davey Chat loading plant), St. Louis, Mo.	do	Do.

MONTANA—PREFACE NO. 41

132	Minmont Co. (East Pacific mine), Helena, Mont.	Mar. 31, 1942	Metallic
133	Minmont Co. (Carlson mine), Helena, Mont.	do	Do.
134	Domestic Managanes & Development Co. (Tarsena mine), Butte, Mont.	Apr. 23, 1942	Do.
135	Sullivan Machinery Co., Michigan City, Inc. (drilling operator for the United States Vanadium Corporation of Red Lodge, Mont.)	May 4, 1942	Drillers
136	Sunshine Mining Co., agents for Metals Reserve Co. (mill and mines in Phillipsburg, Mont.)	May 7, 1942	Metallic

NEVADA—PREFACE NO. 35

132	Boyles Bros. Drilling Co., Salt Lake City, Utah (drilling at Las Vegas, Nev.)	Mar. 6, 1942	Driller
133	U. S. Distom mine, Mount Montgomery, Nev.	Mar. 26, 1942	Nonmetallic
134	Gelchell Mine, Inc., Reno, Nev.	Mar. 27, 1942	Metallic
135	Desert shellite mine, J. L. Warner, Mina, Nev.	do	Do.
136	Ely Valley Mines Co. (Ely Valley group), Pioche, Nev.	Apr. 6, 1942	Do.
137	Nevada Pacific Minerals Co., Inc., Jann, Nev.	do	Nonmetallic
138	F. A. Reid and A. V. Nelsen (Shenandoah mill, Shenandoah, Hoosier and Root Hill and IXL mines, Goodspring, Nev.)	Apr. 7, 1942	Metallic
139	Ely Gold Mining Co. (Taylor mine), Ely, Nev.	Apr. 9, 1942	Do.
140	Dunlap Copper Co. (Dunlap mine), Mina, Nev.	Apr. 14, 1942	Do.
141	Washington Hill Quicksilver Co., Inc. (Washington Hill quicksilver mine), Reno, Nev.	do	Do.
142	A. & B. quicksilver mine, Tonopah, Nev.	Apr. 21, 1942	Do.
143	R. S. McClintock Diamond Drill Co. (drilling operator for Mountain City Copper Co. in the State of Nevada)	May 4, 1942	Drillers
144	Nevada-Massachusetts Co. (Golconda division of Nevada-Massachusetts Co., at Golconda, Nev.)	do	Metallic

NEW HAMPSHIRE—PREFACE NO. 9

13	Northern Feldspar Corporation (Spaulding Hill and Bailey Hill mine), West Rumney, N. H.	Mar. 30, 1942	Nonmetallic
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List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942—Continued

NEW JERSEY—PREFACE NO. 3

Serial No.	Name	Date	Type of mine
81	Brimfield Bros. (pits and plants at Cedar Lake, N. J., and Hayville, N. J.)	Apr. 15, 1942	Nonmetallic.
82	International Titanium Corporation (plant at Carteret, N. J.)	Apr. 30, 1942	Do.
83	Norcross Bros. (South Pemberton plant and Birmingham pit), Pemberton, N. J.	May 6, 1942	Do.
84	S. W. Downer (Downer mine), Glassboro, N. J.	do.	Do.
85	Plibrico Jointless Firebrick Co. (New Jersey factory at Trenton, N. J.)	do.	Do.
86	Warren Sand & Stone Co. (quarry operator only), Carpentersville, N. J.	May 12, 1942	Do.

NEW MEXICO—PREFACE NO. 47

62	Mineral Products Co., Grants, N. Mex.	Mar. 25, 1942	Nonmetallic.
63	Lincoln Ore & Metal Co. (Gallinas Mountain iron deposits), Albuquerque, N. Mex.	Mar. 25, 1942	Metallic.
64	New Mexico Consolidated Mining Co. (Kearney mine, care of Peru Mining Co., Hanover, N. Mex.)	do.	Do.
65	P. L. Grattan (Sadler No. 2 at Deming, N. Mex.), El Paso, Tex., office.	do.	Nonmetallic.
66	Sharp & Fellows Contracting Co. (mine in Sals, N. Mex.), Los Angeles, Calif., office.	Apr. 7, 1942	Do.
67	Standard Minerals Corporation (Velarde claims), Hatch, N. Mex.	Apr. 9, 1942	Do.
68	Black Range Development Co. (Columbia mine), Hurley, N. Mex.	Apr. 13, 1942	Metallic.
69	Kreyer Mines, Inc. (N. S. L.), Kreyer mines, Lordsburg, N. Mex.	Apr. 14, 1942	Nonmetallic.
70	The Patasca Mica Products Co. (N. S. L.), Ajax & Capitana, formerly known as the Cribbinville mine, Patasca, N. Mex.	May 4, 1942	Do.
71	Madelyn Fischbach, trustee, Monticello Canyon Development, Hot Springs, N. Mex.	May 8, 1942	Metallic.
72	J. D. Torres, Kelly mine, Kelly, N. Mex.	May 12, 1942	Do.
73	Maurice d'Autremont (Pastura copper mine, at Guadalupe County, N. Mex.).	May 14, 1942	Do.

NEW YORK—PREFACE NO. 11

140	W. J. Dyer (W. J. Dyer molding sand pit), Jonesville, N. Y.	Mar. 21, 1942	Nonmetallic.
141	Oneida Lake sand mines, Cleveland, New York State, N. Y.	Apr. 15, 1942	Do.
142	Gravel Products Corporation (steamer Niagara, pumping sand and gravel), Buffalo, N. Y.	Apr. 21, 1942	Do.
143	The Hutton Co. (Hutton mine), Kingston, N. Y.	do.	Do.
144	North Shore Sand & Gravel Co., Port Washington, N. Y.	Apr. 22, 1942	Do.
145	Rosoff Sand & Gravel Corporation, Kerhonkson, N. Y.	May 5, 1942	Do.
146	The Valley Sand & Gravel Corporation (Wadsworth plant No. 2, Scottsville, N. Y.).	do.	Do.
147	Hornell Gravel Corporation (Cohocton plant at Cohocton, N. Y.), Salamanca, N. Y.	May 6, 1942	Do.
148	The Kelley Island Lime & Transport Co. (Buffalo, N. Y., plant)	May 8, 1942	Do.
149	Wah Chang Trading Corporation (plant: National Reconditioning Co., Inc., Staten Island, N. Y.).	May 15, 1942	Metallic.

NORTH CAROLINA—PREFACE NO. 12

90	Franklin Mineral Products Co. (Burr Knob mica mine), Franklin, N. C.	Mar. 18, 1942	Nonmetallic.
91	Colonial Mica Co. (mines in North Carolina), agents for Metals Reserve Company, New York, N. Y.	Apr. 27, 1942	Do.
92	Charlie Ridge mine (Slippery Elm mine), Newland, N. C.	Apr. 29, 1942	Do.
93	Bryson Tale Co. (Worth, Peppers Creek, Hennessee, and Bates mines), Marion, N. C.	do.	Do.
94	Macon Mica Mining Co. (Lyle Knob mine), Franklin, N. C.	May 16, 1942	Do.

OHIO—PREFACE NO. 17

678	Sharon Silica Co. (Jackson pit, Scurlock pit), Jackson, Ohio.	Mar. 11, 1942	Nonmetallic.
679	Hope Fire Clay Co. (Hope mine), Jackson, Ohio.	do.	Do.
680	Oak Hill Clay Products & Mining Co. (Pyro mine), Oak Hill, Ohio.	Mar. 20, 1942	Do.
681	Inter-State Construction Co. (Erskine quarry), Youngstown, Ohio.	Mar. 26, 1942	Do.
682	Corundite Refractories, Inc., Massillon, Ohio.	Apr. 7, 1942	Do.
683	Massillon plant.	do.	Do.
	Zoar plant.	do.	Do.

List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942—Continued

OHIO—PREFACE NO. 17—Continued

Serial No.	Name	Date	Type of mine
684	The Robinson Clay Product Co. (Wright mine), Akron, Ohio.	Apr. 7, 1942	Nonmetallic.
685	Hoffman Bros. Drilling Co. (drilling operations in State of Ohio), Punditway, Pa.	do.	Driller.
686	The Cleveland Builders Supply Co. (sand plant known as dock No. 10), Cleveland, Ohio.	Apr. 9, 1942	Nonmetallic.
687	Black Creek Coal Co. (Ohio No. 3 mine), Zanesville, Ohio.	Apr. 14, 1942	Coal.
688	Robert Raney (New Venture mine), Byesville, Ohio.	do.	Do.
689	American Sintering Co. (plant at Hubbard, Ohio), Chicago, Ill.	Apr. 15, 1942	Metallic.
	The Standard Slag Co., Youngstown, Ohio:		
690	Republic plant.	Apr. 17, 1942	Nonmetallic.
691	Brier Hill plant.	do.	Do.
692	Hubbard plant.	do.	Do.
693	Warren plant.	do.	Do.
694	Ironton plant.	do.	Do.
695	Jackson plant.	do.	Do.
696	Mingo Junction plant.	do.	Do.
697	Stuebenville plant.	do.	Do.
698	Massillon plant.	do.	Do.
699	American Drilling Co. (drilling operations in the State of Ohio), Greensburg, Pa.	Apr. 21, 1942	Driller.
700	Transue & Williams Steel Forging Corporation (Transue & Williams mine), Alliance, Ohio.	Apr. 22, 1942	Coal.
701	The Thompson Silica Co., Thompson, Ohio.	do.	Nonmetallic.
702	The Malvern Clay Co., Malvern, Ohio (for pit only).	Apr. 24, 1942	Do.
703	Wahl Refractory Products Co., Fremont, Ohio.	Apr. 25, 1942	Do.
704	The United Sand & Gravel Co., Canton, Ohio.	Apr. 29, 1942	Do.
705	H. W. Koch & Sons Gravel Co., Wapakoneta, Ohio.	May 5, 1942	Do.
706	Southern Hills Sand, Gravel, & Excavation Co. (Southern Hills pit), Dayton, Ohio.	May 6, 1942	Do.
707	David Z. Norton Co. (Norton mine), Cleveland, Ohio.	do.	Coal.
708	The Metropolitan Paving Brick Co. (Minerva pit at Minerva, Ohio), Canton, Ohio.	May 7, 1942	Nonmetallic.
709	Bellaire Coal Co. (No. 1 and No. 2 mines), Bellaire, Ohio.	May 8, 1942	Coal.
710	River Transportation Co. (preparation and screening plant), Cincinnati, Ohio.	May 14, 1942	Do.

OKLAHOMA—PREFACE NO. 40

193	Sullivan Machinery Co., Michigan City, Ind. (drilling at McAlester, Okla.).	Mar. 9, 1942	Drillers.
194	Leavell Coal Co. (Silvercrest mine), Tulsa, Okla.	Mar. 12, 1942	Coal.
195	Dixie R. Mining Co. (Dixie R), Picher, Okla.	Mar. 14, 1942	Metallic.
196	Southwest Stone Co. (No. 3 plant, Stringtown, Atoka County, Oklahoma), Dallas, Tex.	Apr. 14, 1942	Nonmetallic.
	Eagle-Picher Mining & Smelting Co., Picher, Okla.:		
197	Netta Mine.	Apr. 15, 1942	Metallic.
198	McKibben mine.	do.	Do.
199	B. & R. operation.	Apr. 27, 1942	Do.
200	Trenton Milling Co., Picher, Okla.	May 5, 1942	Do.
201	Eagle-Picher Mining & Smelting Co. (South Side mine), Picher, Okla.	May 12, 1942	Do.
202	Miami Rock Products Co. (Bird Dog plant, also Central Mill plant), Miami, Okla.	May 18, 1942	Nonmetallic.

OREGON—PREFACE NO. 33

56	Krome Corporation (Krome mine), Port Orford, Oreg.	Mar. 4, 1942	Metallic.
57	Kilkey Bros. (a partnership), Mother Lode mine, Prineville, Oreg.	Apr. 11, 1942	Do.
58	Independence Sand & Gravel Co. (Independence pit), Independence, Oreg.	Apr. 17, 1942	Nonmetallic.
59	Pacific Portland Cement Co. (Marble Mountain and Colvig Gulch quarries, at Gold Hill, Oreg.), San Francisco, Calif.	May 6, 1942	Do.
60	Metals Reserve Co. (sampling plant, at Grants Pass, Oreg.), Portland, Oreg.	May 8, 1942	Metallic.

List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942—Continued

PENNSYLVANIA—PREFACE NO. 2

Serial No.	Name	Date	Type of mine
1705	Union Collieries Co., Oakmont, Pa.	Mar. 2, 1942	Coal.
1706	Renton No. 6, North Bessemer, Pa.	do.	Do.
1707	Renton No. 8, Rural Ridge, Pa.	Mar. 6, 1942	Nonmetallic.
1708	W. Ellis Johnson, Devan, Pa.	do.	Coal.
1709	W. A. Coal Co. (Keys mine), Dubois, Pa.	do.	Do.
1710	Richard C. Remmey Son Co., Philadelphia, Pa.	do.	Do.
1711	St. Clair, Rinn & Co. (Twolick mine), Indiana, Pa.	do.	Do.
1712	D. John Coal Co., New Derry, Pa.	Mar. 10, 1942	Do.
1713	Parshall & Crow Coke Co. (Brownfield mine), Uniontown, Pa.	do.	Do.
1714	Lehigh River Steam Coal Co. (Packers Dam operation), Reading, Pa.	Mar. 11, 1942	Nonmetallic.
1715	Leap Ganister Rock Co. (Leap No. 1), Hyndman, Bedford County, Pa.	do.	Do.
1716	Welch-Bright Co., Atlantic Ave. extended, Monaca, Pa.	do.	Do.
1717	Keystone Portland Cement Co., Philadelphia, Pa.	Mar. 15, 1942	Coal.
1718	Kenbrook Coal Co. (No. 1 mine), Sligo, Pa.	Mar. 21, 1942	Nonmetallic.
1719	Smith Material Co. (Lettenkenny quarry), Camp Hill, Pa.	do.	Coal.
1720	MacFarlane, Robert (MacFarlane mine), Houston, Pa.	do.	Do.
1721	David O. Davis & Son (Shupe mine, index No. 2156), Dravosburg, Pa.	do.	Do.
1722	Calumet Coal & Coke Co. (Mammoth mine), Scottsdale, Pa.	do.	Do.
1723	Pioneer Fuel Co. (Pioneer mine), Latrobe, Pa.	Mar. 25, 1942	Nonmetallic.
1724	Kinston Brick Co., R. D. No. 1, Latrobe, Pa.	do.	Do.
1725	Alliance Sand Co., Inc., Northampton, Pa.	do.	Do.
1726	Eastvale Clay Products Co., Beaver Falls, Pa.	do.	Do.
1727	Hanley Co. (Sumnerville plant), Bradford, Pa.	do.	Coal.
1728	Otto Collieries, Pottsville, Pa.	do.	Do.
1729	Eagle Hill strip.	do.	Do.
1730	Bausch Creek strip.	Mar. 26, 1942	Nonmetallic.
1731	Woodbury Clay Co., Hollidaysburg, Pa.	do.	Do.
1732	George F. Pettinos, Inc. (Honeybrook sand plant), Philadelphia, Pa.	do.	Do.
1733	The Whitehall Cement Manufacturing Co., Cementon, Pa.	Apr. 6, 1942	Do.
1734	James H. McCrady Sand Co. (mine at Harmerville, Pa.), Springdale, Pa.	do.	Do.
1735	General Refractories Co. (Sandy Ridge plant), Philadelphia, Pa.	do.	Do.
1736	Helen Jennings Coal Co., Johnstown, Pa.	Apr. 8, 1942	Coal.
1737	Jennings No. 3 mine	do.	Do.
1738	Jennings No. 1 mine	do.	Do.
1739	Jennings No. 4 mine	do.	Do.
1740	Hill Bros. (Ashman No. 4 and Hill No. 1), Morrisdale, Pa.	do.	Do.
1741	Coray Slope Coal Co., Pittston, Pa.	do.	Nonmetallic.
1742	H. F. Bigler (Salt Lick mine), Clearfield, Pa.	do.	Coal.
1743	H. N. Hough (Hough mine), Uniontown, Pa.	do.	Do.
1744	Marie Coal Co. (Marie mine), Fairchance, Pa.	do.	Do.
1745	Coal Hollow Coal Co. (Marshall mine), West Newton, Pa.	do.	Do.
1746	Pennsylvania Refining Co. (Brunst strip mine), Butler, Pa.	Apr. 14, 1942	Do.
1747	Abuzzi Coal Co. (Bruceton mine), Bruceton, Pa.	do.	Do.
1748	Carpentertown Coal & Coke Co. (Carpentertown mine), Uniontown, Pa.	do.	Do.
1749	Corrier Steam Coal Co. (No. 1 silt plant), Scranton, Pa.	do.	Do.
1750	Acme Coal Cleaning Co., Avello, Pa.	do.	Do.
1751	W. D. Little Clay Co. (Bigler mine and quarry), Philipsburg, Pa.	Apr. 15, 1942	Nonmetallic.
1752	Hoffman Bros. Drilling Co. (drilling operations in the State of Pennsylvania), Punxsutawney, Pa.	do.	Driller.
1753	The Philadelphia Clay Co., Carlisle, Pa.	Apr. 17, 1942	Nonmetallic.
1754	National Mining Co. (Hazel mine), Pittsburgh, Pa.	Apr. 20, 1942	Coal.
1755	McCleary Bros. (Piscola quarry), Chambersburg, Pa.	do.	Nonmetallic.
1756	American Bangor State Co., Inc., Bangor, Pa.	do.	Do.
1757	Highspire Sand & Gravel Co. (Highspire sand and gravel plant), Harrisburg, Pa.	do.	Do.
1758	American Drilling Co., Greensburg, Pa.	Apr. 21, 1942	Driller.
1759	do.	do.	Do.
1760	do.	do.	Do.
1761	National Slag Co., Riegelsville, Pa.	do.	Nonmetallic.
1762	Beatty & Scollins Clay Mining Co. (Lumber City clay mines No. 1 and No. 2), Houtdale, Pa.	do.	Do.
1763	Bothfield Refractories Co., Philadelphia, Pa.	do.	Do.
1764	Willard Kittinging Brick Manufacturing Co.	do.	Do.
1765	Furniture Products Co., Inc. (quarry in Edge Hill, Pa.), North Hill, Pa.	do.	Do.
1766	New Castle Refractories Co., New Castle, Pa.	Apr. 23, 1942	Do.
1767	Darlington plant at Darlington, Pa.	do.	Do.
1768	New Galilee plant at New Galilee, Pa.	do.	Do.
1769	New Castle Refractories Co. (New Castle plant at New Castle, Pa.), New Castle, Pa.	Apr. 23, 1942	Do.

List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942—Continued

PENNSYLVANIA—PREFACE NO. 2—Continued

Serial No.	Name	Date	Type of mine
1769	The Arcadia Co. (Wilms & Smithport mine), Indiana, Pa.	Apr. 27, 1942	Coal.
1770	Bigelow Run Coal Mining Co. (Bigelow run No. 1), Bellefonte, Pa.	do.	Do.
1771	Shenon Slate Co., Inc., Bladale, Pa.	Apr. 28, 1942	Nonmetallic.
1772	Continental-Archbald Coal Co. (Archbald colliery), Scranton, Pa.	do.	Coal.
1773	J. F. Elsworth (Schupp mine and Klatneback mine), Ludenda, Pa.	do.	Nonmetallic.
1774	Penn Refractories Co., Bolivar, Pa.	do.	Do.
1775	Saxman Coal & Coke Co. (Harrison mine), Philadelphia, Pa.	May 4, 1942	Coal.
1776	J. O. Clark heirs partnership (Superior No. 1 mine), Glen Campbell, Pa.	do.	Do.
1777	M. B. Stewart, West Fairview, Pa.	do.	Do.
1778	Dredging A coal from Susquehanna River in Sioleton, Pa.	May 5, 1942	Do.
1779	Dredging A coal from Susquehanna River in Millersburg, Pa.	do.	Do.
1780	Phoenix Coal Co. (John Veith, property, Llewellyn, Pa.), Scranton, Pa.	May 7, 1942	Do.
1781	Domestic Gas Coal Co. (Stephenson mine), Roanoke, Pa.	do.	Do.
1782	M. & M. Coal Co. (Beechwood No. 2 mine), Dunlevy, Pa.	do.	Do.
1783	The Funkhouser Co., Hagerstown, Md.	do.	Do.
1784	Mine at Charman, Pa.	May 12, 1942	Nonmetallic.
1785	Mine at Delta, Pa.	do.	Do.
1786	Fred L. Silhol (No. 2 mine), Bridgeville, Pa.	May 13, 1942	Coal.
1787	Benjamin Franklin Graphite Co., Inc. (Graphite mine, Chester Springs, Pa.), Milltown, N. J.	do.	Nonmetallic.
1788	The Bessemer Limestone & Cement Co. (Eson mine), Bessemer, Pa.	May 14, 1942	Do.
1789	Pennosa Coal Co. (Waverly mine at Avello, Pa.), Pittsburgh, Pa.	do.	Coal.
1790	Ellwood Stone Co. (Koppel and Rockford plants), Ellwood City, Pa.	May 18, 1942	Nonmetallic.

SOUTH CAROLINA—PREFACE NO. 3

Serial No.	Name	Date	Type of mine
27	Carolina Refractories Co., Hartsville, S. C.	Apr. 25, 1942	Nonmetallic.
28	Southern Silica Mining & Mfg. Co., Columbia, S. C.	Apr. 28, 1942	Do.

SOUTH DAKOTA—PREFACE NO. 40

Serial No.	Name	Date	Type of mine
36	Gladys Wells (Warren Draw, No. 1 and No. 2), Custer, S. Dak.	Apr. 15, 1942	Nonmetallic.

TENNESSEE—PREFACE NO. 16

Serial No.	Name	Date	Type of mine
171	Hicks Bros., Camden, Tenn.	Mar. 6, 1942	Nonmetallic.
172	Lambert Bros. Inc., Knoxville, Tenn.	do.	Do.
173	Fordtown quarry	Mar. 20, 1942	Do.
174	Dale Hollow quarry	do.	Do.
175	Memphis Stone & Gravel Co., Camden, Tenn.	do.	Do.
176	do.	do.	do.
177	do.	do.	do.
178	do.	do.	do.
179	do.	do.	do.
180	do.	do.	do.
181	do.	do.	do.
182	Southern Mica Co. (Johnson City plant), Johnson City, Tenn.	Mar. 15, 1942	Do.
183	Imperial Mining Co. (Bunch's Hollow mine), Fountain City, Tenn.	Mar. 18, 1942	Metallic.
184	Birmingham Slag Co. (Calhoun plant in Charleston, Tenn.), Birmingham, Ala.	Mar. 20, 1942	Nonmetallic.
185	Hoffman Bros. Drilling Co. (drilling operations in State of Tennessee), Punxsutawney, Pa.	Apr. 7, 1942	Drillers.
186	H. R. Ameling Prospecting Co. (drilling operations for the American Zinc Co. of Tennessee, at Monroe, Tenn.), St. Louis, Mo.	Apr. 8, 1942	Do.
187	Butler Mining & Development Co. (Taylor Valley mine), Elizabethton, Tenn.	Apr. 11, 1942	Metallic.
188	Cumberland Coal Corporation (Curtwright mine), South Pittsburgh, Pa.	Apr. 21, 1942	Coal.
189	Williams Lime Manufacturing Co., Knoxville, Tenn.	Apr. 23, 1942	Nonmetallic.
190	Gilbreath & Prossnell (Soria mine), Columbia, Tenn.	May 6, 1942	Do.

*Blank spaces indicate numbers issued in December, January, and February.

List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942—Continued

TEXAS—PREFACE NO. 28

Serial No.	Name	Date	Type of mine
107	Hamlin Sand & Gravel Co., Inc. (Flattop gravel plant), Vernon, Tex.	Mar. 9, 1942	Nonmetallic.
108	DuPre Sand & Gravel Co., and Road Gravel Co. (DuPre Sand & Gravel pit, and DuPre Road Gravel pit), Victoria, Tex.	do.	Do.
109	Phillip S. Hoyt (Columbus, Tex., Flint Gravel pits) Van Horn, Tex.	Mar. 20, 1942	Do.
110	Sullivan Machinery Co., Michigan City, Ind. (drilling operations at New Braunfels, Tex.)	Apr. 6, 1942	Driller.
111	Ascarate Grant (Ascarate Grant), El Paso, Tex.	Apr. 7, 1942	Nonmetallic.
112	Southwest Stone Co. (No. 2 plant—Lone Star Spur (Chico) Texas, Wise Co.), Dallas, Tex.	Apr. 14, 1942	Do.
113	Thermo Fire Brick Co. (Thermo and Troup pits), Sulphur Springs, Tex.	Apr. 15, 1942	Do.
114	The Milwhite Co., Inc. (plant, Houston, Harris Co., Texas), Houston, Tex.	do.	Do.
115	Minerals Production Co. (Spiller mine), Llano, Tex.	Apr. 17, 1942	Metallic.
116	Gann Sand & Gravel Co., Inc., Fort Worth, Tex.	Apr. 22, 1942	Nonmetallic.
117	Texas Mica & Feldspar Co. (Mica mine property), Van Horn, Tex.	Apr. 28, 1942	Do.
118	Viviana Mining Co. (Viviana mine), Alpine, Tex.	do.	Metallic.
119	Trinity Portland Cement Co., Dallas, Tex.	May 14, 1942	Nonmetallic.
120	Mine at Fort Worth, Tex.	do.	Do.
	Mine at Dallas, Tex.	do.	Do.

UTAH—PREFACE NO. 45

109	Continental Coal Co. (Maple Creek Coal Co.), Salt Lake City, Utah	Mar. 2, 1942	Coal.
110	Pyramid Gypsum Co. (Pyramid plant), Salt Lake City, Utah	do.	Nonmetallic.
111	Boyles Bros. Drilling Co., Salt Lake City, Utah	Mar. 6, 1942	Driller.
112	do.	do.	Do.
113	do.	do.	Do.
114	do.	do.	Do.
115	do.	do.	Do.
116	do.	do.	Do.
117	do.	do.	Do.
118	do.	do.	Do.
119	do.	do.	Do.
120	Rock Asphalt Co. of Utah (Utah rock asphalt), Sunnyside, Utah	Mar. 9, 1942	Nonmetallic.
121	Apex Tungsten Mining Co., Trout Creek, Utah	Mar. 10, 1942	Metallic.
122	Grass Creek Fuel Co., Coalville, Utah	Apr. 14, 1942	Coal.
123	Sullivan Machinery Co., Michigan City, Ind. (drilling operations in Cedar City, Utah)	Apr. 16, 1942	Driller.
124	The Colorado Fuel & Iron Corporation (deposits at Iron Mountain, Utah), Cedar City, Utah	Apr. 21, 1942	Metallic.
125	Vanadium Corporation of America's Associates' (mining operations in Monticello, Utah), New York, N. Y.	Apr. 30, 1942	Do.
126	Drury D. Turner Co. (Turner group, including Last Chance, Raven, Canyon Lode, Black Diamond, Green River mining district), Utah	May 12, 1942	Do.
127	Apex Mining Co. (Apex mine), St. George, Utah	May 14, 1942	Do.

VERMONT—PREFACE NO. 14

23	Green Mountain Mica Corporation, Gassetts, Vt.	Mar. 11, 1942	Nonmetallic.
24	White Pigment Corporation (mine in Florence, Vt.), Proctor, Vt.	Apr. 3, 1942	Do.
25	Vermorel Lime Co., Proctor, Vt.	Apr. 23, 1942	Do.

VIRGINIA—PREFACE NO. 10

244	Riverton Lime & Stone Co., Inc., Riverton, Va.	Mar. 11, 1942	Nonmetallic.
245	Hoffman Bros. Drilling Co. (drilling operations in State of Virginia), Punksutawney, Pa.	Apr. 7, 1942	Driller.
246	Margaret Ann Coal Co., Conaway, Va.	Apr. 14, 1942	Coal.
247	Glad Mountain Corporation (Glad Mountain mine), Marion, Va.	Apr. 17, 1942	Metallic.
248	The American Rutile Corporation (deposit located at Ashland, Va.), New York, N. Y.	Apr. 28, 1942	Nonmetallic.
249	Sullivan Machinery Co., Michigan City, Ind. (drilling operations for Bethlehem Steel Co., at Cornwall, Va.)	May 6, 1942	Driller.
250	Sullivan Machinery Co., Michigan City, Ind. (drilling operations for the Maryland Bureau of Mines at Lynchburg, Va.)	do.	Do.
251	Limestone Dust Corporation, Pocomoke, Va.	May 7, 1942	Nonmetallic.
252	Blue Mountain Operating Corporation (Mount Torrey mine), Staunton, Va.	May 8, 1942	Metallic.

List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 15, 1942—Continued

WASHINGTON—PREFACE NO. 42

Serial No.	Name	Date	Type of mine
59	Boyles Bros. Drilling Co., Salt Lake City, Utah (drilling operations at Holden, Wash.)	Mar. 4, 1942	Drillers.
60	Magnetic Mining Co., Colville, Wash.	Mar. 11, 1942	Metallic.
61	Pacific Coast Coal Co. (Black Diamond mine), Seattle, Wash.	Mar. 13, 1942	Coal.
62	Roche Harbor Lime & Cement Co. (quarry operations at Roche Harbor, Wash.), Roche Harbor, Wash.	Mar. 31, 1942	Nonmetallic.
63	Knob Hill Mines, Inc., Walter Lyman Brown, Republic, Wash.	Apr. 7, 1942	Metallic.
64	Max J. Kuey Co. (Pomona quarry), Spokane, Wash.	Apr. 17, 1942	Nonmetallic.
65	General Construction Co. (Mata Mats quarry), Seattle, Wash.	Apr. 27, 1942	Do.
66	Pioneer Sand & Gravel Co. (plant at Point Defiance, Wash.), Seattle, Wash.	Apr. 30, 1942	Do.
67	Majestic Coal & Mining Co., Inc. (Nonpareil mine), Centralia, Wash.	do.	Coal.
68	James Keeth (Keeth Tungsten mine) Spokane, Wash.	May 3, 1942	Metallic.
69	E. J. Longyear (drilling operator at Glacier Peak, Wash.), Minneapolis, Minn.	do.	Driller.
70	M. A. Hanns (prospecting for copper at Glacier Peak, Wash.), Darlington, Wash.	do.	Metallic (D).
71	Zenith Mines, Inc., Cleveland mine, Fruitland, Wash.	May 9, 1942	Metallic.
72	Germania Consolidated Mines, Inc., Spokane, Wash.	do.	Do.

WEST VIRGINIA—PREFACE NO. 35

618	Aisted Coal Co., Flemington, W. Va.	Mar. 11, 1942	Coal.
619	Cornell Coke Co. (Yale mine), Morgantown, W. Va.	Mar. 27, 1942	Do.
620	North Vein Coal Co. (Cork No. 2 mine), Clarksburg, W. Va.	Apr. 2, 1942	Do.
621	Hoffman Bros. Drilling Co. (drilling operator in State of West Virginia), Punksutawney, Pa.	Apr. 7, 1942	Driller.
622	Shinnston Coal Co. (Hood mine), Shinnston, W. Va.	Apr. 9, 1942	Coal.
623	Rock Forge Coal Co., Inc. (McDonald mine), Morgantown, W. Va.	do.	Do.
624	Big Branch Winfield Coal Co., Williamson, W. Va.	Apr. 14, 1942	Do.
625	Christopher Nat'l Coal Co. (mine No. 5), Morgantown, W. Va.	Apr. 16, 1942	Do.
626	Carter Coal Co. (Thelma mine at Ste. W. Va.), New York, N. Y.	Apr. 21, 1942	Do.
627	American Drilling Co. (drilling operator in the State of West Virginia), Greensburg, Pa.	do.	Driller.
628	New Castle Refractories Co. (Newell plant at Newell, W. Va.), New Castle, Pa.	Apr. 23, 1942	Nonmetallic.
629	Cass Coal Co. (Cass mine), Camden on Gauley, W. Va.	Apr. 24, 1942	Coal.
630	J. Q. Dickinson & Co. (plant at Malden, W. Va.), Malden, W. Va.	do.	Nonmetallic.
631	West Fork Collieries, Inc., Fairmont, W. Va.	Apr. 27, 1942	Coal.
632	Triangle Coal Co. (Arthur mine), Lost Creek, W. Va.	do.	Do.
633	The General Crushed Stone Co. (quarry operations at Fort Springs, W. Va.), Fort Springs, W. Va.	May 12, 1942	Nonmetallic.
634	Consolidation Coal Co., Fairmont, W. Va.	May 13, 1942	Coal.
635	Consolidation mine 22-A	do.	Do.
636	Consolidation mine 40-A	do.	Do.
637	Consolidation mine 84-B	do.	Do.
638	Consolidation mine 90-A	do.	Do.
639	The Home Construction Co. (Vuncan mine at Sardis, W. Va.), New Martinsville, Va.	May 14, 1942	Do.
640	Britton Coal Co. (Britton mine), Webster Springs, W. Va.	do.	Do.
	Williams Coal Co. (Swamp Run mine), Junior, W. Va.	May 18, 1942	Do.

WISCONSIN—PREFACE NO. 30

50	Coughlin Mining Co. (zinc mine at Shullsburg, Wis.), Chicago, Ill.	Mar. 10, 1942	Metallic.
51	Waukesha Lime & Stone Co., Waukesha, Wis.	Apr. 24, 1942	Nonmetallic.
52	Eau Claire Sand & Gravel Co. (plant No. 1), Eau Claire, Wis.	Apr. 27, 1942	Do.
53	Vinegar Hill Associates, care of Vinegar Hill Zinc Co., Cuba City, Wis.	May 3, 1942	Metallic.
54	Elkhart Moraine Sand & Gravel Co., Elkhart Lake, Wis.	May 14, 1942	Nonmetallic.
55	W. E. Faithorn (Champion mine), New Diggins, Wis.	May 15, 1942	Metallic.

WYOMING—PREFACE NO. 44

49	Boyles Bros. Drilling Co., Salt Lake City, Utah (drilling at Rock Springs and Superior, Wyo.)	Mar. 6, 1942	Driller.
50	Sullivan Machinery Co., Michigan City, Ind. (drilling at Sunrise, Wyo.)	Mar. 9, 1942	Do.
51	Casper Chrome, 713 National Bank Bldg., Denver, Colo. (mine at Casper, Wyo.)	Mar. 23, 1942	Metallic.

List No. 1 includes the names, dates, and types of mines to which serial numbers have been granted between Mar. 2 and May 16, 1942—Continued

ALASKA—PREFACE NO. 80

Serial No.	Name	Date	Type of mine
34	Buffalo Coal Co. (Buffalo mine) Anchorage, Alaska.	Mar. 21, 1942	Coal
35	Kulu Zinc Mines, Inc. (Keku Lode claims), Juneau, Alaska.	Mar. 23, 1942	Metallic
36	Anchorage Coal Co., Inc. (Premier mine), Anchorage, Alaska.	Apr. 14, 1942	Coal
37	Red Mountain Chromite, Inc. (Kenai Peninsula chromite deposits, Seldovia, Alaska), Portland, Ore.	Apr. 15, 1942	Metallic
	Lynch Bros., Seattle, Wash.	Apr. 28, 1942	Do.
38	Nickel on Yakobi Island, Alaska.	do.	Do.
39	Chrome on Kenai Peninsula, Alaska.	do.	Do.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100

MAR. 2 TO 31, 1942

Person or organization	Date	City and State
Mr. W. P. Stevenson	Mar. 2, 1942	Kahoka, Mo.
Mr. Louis Ewars, Silver Queen mine	do.	Smelterville, Idaho.
Mario Pendl Co., Inc.	do.	Needham Heights, Mass.
Yemma Bros.	do.	Haverhill, Mass.
Superior Lumber Co.	do.	Detroit, Mich.
Mr. C. E. Neuenchwander	do.	Deepwater, Mo.
Laddish Coal Co.	do.	Eldon, Iowa.
F. & B. Coal Co.	do.	Blackwood, Va.
Waltes Pitman Mining Co.	Mar. 3, 1942	Spruce Pine, N. C.
United States Quarry Tile Co.	do.	Canton, Ohio.
Robm Bros. Coal Co.	do.	Six Mile Run, Pa.
National Chemical Products Co.	do.	Rapid City, S. Dak.
Mr. James E. Kinney	do.	Scranton, Pa.
Mr. Harold Jennings	do.	Coshocton, Ohio.
Harrison Bros. Co.	do.	Tacoma, Wash.
Mr. R. C. Fieldsted	do.	Salt Lake City, Utah.
Mr. John J. Bunker	do.	Holtsapple, Pa.
Bader Coal Co.	do.	Reno, Nev.
Oakwood Mining Co.	Mar. 6, 1942	Douglas, Wyo.
Moorefield Township Gravel Co.	do.	Dellroy, Ohio.
Mandlin Construction Co.	do.	New Moorefield, Ohio.
Knox Coal Co.	do.	Webster City, Iowa.
Green Township Gravel Co.	do.	New Lexington, Ohio.
Godoway Bros. Coal Co.	do.	Cedarville, Ohio.
Gilmour & Jones Coal Co.	do.	Barton, Ohio.
Durango Chamber of Commerce	do.	Somerset, Pa.
Buck Road Coal Co.	do.	Durango, Colo.
M. P. Brochetti Coal Co.	do.	Edwardsville, Ill.
Culbert L. Olson	Mar. 7, 1942	Benezette, Pa.
Norris Coal Co.	do.	Sacramento, Calif.
Manufacturers and distributors	do.	Peckville, Pa.
El Dorado Mine Operators Association	do.	Pueblo, Colo.
Mr. John C. Davis, president	do.	Las Vegas, Nev.
Southern Products & Silica Co.	Mar. 9, 1942	Denver, Colo.
Saxon Coal Corporation	do.	Lilesville, N. C.
Royal Development Co.	do.	Williamsburg, Ky.
Lytle Bros.	do.	Leavenworth, Wash.
C. F. Lester Fiberglass Co.	do.	Cleveland, Ohio.
Jackson & McCue	do.	Princeton, Ky.
Hairbarger Coal Co.	do.	Mt. Pleasant, Ohio.
Gravel Products Corporation	do.	Wampum, Pa.
Garretts Mine	do.	Buffalo, N. Y.
Fairview Coal Co.	do.	Pennington Gap, Va.
Blandburg Coal & Supply Co.	do.	Bellairs, Ohio.
Alsted Coal Co.	do.	Altosna, Pa.
Woodworth Gravel Co.	Mar. 10, 1942	Flemington, W. Va.
Wilbert Mining Co., Ltd.	do.	Woodworth, La.
Vermont Marble Co.	do.	Salt Lake City, Utah.
M. C. State	do.	Proctor, Vt.
Silver Horn Mine	do.	Albany, Ore.
Saleway Coal Co.	do.	Wendover, Utah.
Mr. W. H. Romine	do.	Bokoshe, Okla.
Randolph Valley Coal Co.	do.	Davenport, Iowa.
Parsons Bros.	do.	Coshocton, Ohio.
H. L. McKinney	do.	Berzhoia, Ohio.
Miller & Schock	do.	Squib, Ky.
Hulman & Co.	do.	Tamagna, Pa.
Houston & Bank Sand Co.	do.	Terre Haute, Ind.
	do.	Houston, Tex.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

MAR. 2 TO 31, 1942—Continued

Person or organization	Date	City and State
Earl Flamlon	Mar. 10, 1942	Bristow, Ind.
Zack Anderson	do.	Middleton, Calif.
American Diatomite Co.	do.	Clermont, Fla.
S. D. Alexander	do.	Vancouver, Wash.
Valley Agricultural Oypsum Co.	Mar. 11, 1942	Shafter, Calif.
Standard Asphalt Paving Co., Inc.	do.	Spokane, Wash.
Smith & Snyder	do.	Austin, Nev.
Silver Rock Mines Co., Inc.	do.	Salt Lake City, Utah.
Mr. H. B. Senlor	do.	Bethel, Conn.
Mr. Harry E. Jacobs	do.	Custer, Ohio.
Pike Stone Products Co., Inc.	do.	Petersburg, Ind.
Osar Duncanson Sand & Gravel	do.	Port Washington, N. Y.
Newburgh Sand, Stone & Gravel Corporation	do.	Newburgh, N. Y.
F. W. Millard & Son	do.	Ely, Nev.
Hedberg-Friedheim & Co.	do.	Minneapolis, Minn.
Mr. D. E. Flood	do.	Mogollon, N. Mex.
Estill Ice Co.	do.	Irvine, Ky.
Elkhorn Limestone Co.	do.	Georgetown, Ky.
Mr. Joe Dudek	do.	Fairpoint, Ohio.
Dixwell Quarries, Inc.	do.	Hamden, Conn.
Mr. E. O. Stengel	do.	Milbank, S. Dak.
Cittadino Quarries	do.	Utica, N. Y.
Bryan-Monroe Co.	do.	Raleigh, N. C.
Mr. N. L. Brown	do.	Silver City, N. Mex.
Baltimore Brick Co.	do.	Baltimore, Md.
The Western Limestone Products Co.	Mar. 12, 1942	Omaha, Neb.
Mr. Garret Van Decker	do.	Fairlawn, N. J.
Mr. Carl B. Temple	do.	Kingsville, Md.
Stroup Bros.	do.	Warren, Ohio.
Standard Flint & Spar Corporation	do.	Trenton, N. J.
Porter Brown Limestone Co.	do.	Springfield, Tenn.
D. W. Overocker, Inc.	do.	Burlington, Vt.
North Shore Sand & Gravel Corporation	do.	Port Washington, N. Y.
Northern Feldspars Corporation	do.	West Rumney, N. H.
McKinney & Whitlow Sand Co.	do.	Stephenson, W. Va.
Mr. Leslie Mohr	do.	Bellefontaine, Ohio.
Martin & Elrod	do.	Smith Grove, Ky.
Lutesville Sand & Gravel Co.	do.	Cape Girardeau, Mo.
Little Rock Stone Products Co.	do.	Heber Springs, Ark.
Indiana Gravel Co., Inc.	do.	Indianapolis, Ind.
Grand Canyon Lime & Cement Co.	do.	Los Angeles, Calif.
M. J. Gilpatrick Construction Co.	do.	Riverton, Wyo.
H. E. Fletcher Co.	do.	West Chelmsford, Mass.
Elkhart-Moraine Sand & Gravel Co.	do.	Elkhart Lake, Wis.
The Crystal River Rock Co.	do.	Leesburg, Fla.
Crushed Rock Products, Inc.	do.	Schenectady, N. Y.
Mr. R. J. Cremen	do.	Curtis Bay, Md.
Colonna & Co., Inc.	do.	New York, N. Y.
Berube Bros.	do.	Fall River, Mass.
Baugh Coal Co.	do.	Mendota, Mo.
Mr. W. O. Watson	do.	St. Clairsville, Ohio.
Volo Mining Co.	do.	Placerville, Calif.
Steiners Washed Sand & Gravel Co.	Mar. 13, 1942	Laura, Ohio.
Standard Paving Co.	do.	Tulsa, Okla.
Soldier Canyon Mine	do.	Price, Utah.
Smith Material Co.	do.	Camp Hill, Pa.
Richardson Coal Co.	do.	Greenwood, Ark.
Mr. C. Wilbert Reeder	do.	Muncy, Pa.
Red Rock Quarries, Ltd.	do.	Vallejo, Calif.
Albert Paulson Salt Co.	do.	Redmond, Utah.
Nelson & Sloan	do.	Chula Vista, Calif.
Nash Brick Co.	do.	Rocky Mount, N. C.
Frederick Link Sons	do.	Halesburg, Md.
Kohler Bros. Sand & Gravel Co.	do.	Waukesha, Wis.
The Junction City Clay Co.	do.	Junction City, Ohio.
Gorza Bros. Blaine Coal Co.	do.	St. Clairsville, Ohio.
Gill & Wood	do.	Norristown, Pa.
Dennis Materials Co.	do.	Kirkwood, Mo.
Mr. Eugene L. Campbell	do.	Summersville, W. Va.
Brown Coal Co.	do.	Nowata, Okla.
Blandburg Coal & Supply Co.	do.	Altosna, Pa.
Auxvase Quarry Co.	do.	Auxvase, Mo.
Mr. Fred Summering	Mar. 14, 1942	South Webster, Ohio.
Mid-Continent Mercury Producers	do.	Hot Springs, Ark.
Geyer Marion Gold Mining Co.	do.	Salt Lake City, Utah.
D. L. Bradley Coal Co.	do.	Moberly, Mo.
Mr. Morbert Wolbert	Mar. 16, 1942	Snydersburg, Pa.
Wilkinson Bros. Coal Co.	do.	New Philadelphia, Ohio.
Whittaker & Gooding Co.	do.	Plymouth, Mich.
Westfield Clay Products Co.	do.	Westfield, Mass.
West Lake Quarry & Material Co.	do.	Robertson, Mo.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

MAR. 2 TO 31, 1942—Continued

Person or organization	Date	City and State
Waukesha Lime & Stone Co.	Mar. 16, 1942	Waukesha, Wis.
Waukesha Bros.	do	Coalton, W. Va.
Mr. Edward H. Shaulis	do	Boswell, Pa.
Rampson Coal Mining Co.	do	Walsenburg, Colo.
Mr. James Roy, owner	do	Nobbsville, Pa.
Pace Crushed Stone Co.	do	Burkesville, Ky.
Own Truck & Materials Co.	do	Compton, Calif.
Oilphant Coal Co.	do	Castle Dale, Utah.
Neatour & Knipple	do	Johnstown, Pa.
Wesley McKitterick Co.	do	Jackson, Ohio.
Mr. Lester Moore	do	East Fultonham, Ohio.
Montgomery Lime Co.	do	Christiansburg, Va.
Mission Quarry Co.	do	San Francisco, Calif.
Mr. Willis E. Miller	do	Clarksburg, Pa.
Melcher Fuel Co.	do	Melcher, Iowa.
Maple Lane Coal Co.	do	Steubenville, Ohio.
M. & M. Mining Co.	do	Stimpson, Pa.
The Loran Washed Sand Co.	do	Lorain, Ohio.
Lilly Valley Coal Co.	do	Lilly, Pa.
Mr. Matt S. Holbert	do	Gebro, Wyo.
Lawton Glass Sand Co.	do	Lawton, Ky.
Holly Mines	do	Rush, Ky.
Hagerty Coal Co.	do	Uniontown, Pa.
Gilmore Coal Co.	do	Jackson, Ohio.
Fort Scott Hydraulic Cement Co.	do	Fort Scott, Kans.
Economy Coal Co.	do	Harrisburg, Pa.
Corbin Coal Co.	do	Canton, Ohio.
Central Coal Co.	do	Fairmont, Ill.
Carbonate King Zinc Mine	do	Mountain Pass, via Nipton, Calif.
Cape Girardeau Sand Co.	do	Cape Girardeau, Mo.
Buckley Sand & Gravel Co.	do	Ada, Okla.
Brum Construction Co.	do	Chicago, Ill.
Mr. E. H. Buxter	do	Kansas City, Mo.
Wm. Bambi & Sons	do	Brisban, Pa.
S. C. Yingling	Mar. 17, 1942	Norristown, Pa.
Tri-State Minerals Co.	do	Evansville, Ind.
St. Jude Mining Co.	do	Los Angeles, Calif.
Scotia Mining Co.	do	San Francisco, Calif.
George L. Rock, Inc.	do	Sunbury, Pa.
O'Connor Coal Co.	do	Cincinnati, Ohio.
Mr. C. G. McCormick	do	Cambria County, Pa.
Manegold Stone Co.	do	Chicora, Pa.
Lawson & Hunter	do	Milwaukee, Wis.
Langhorne & Langhorne Co.	do	Dunko, Pa.
Kinney Coal Mine	do	Huntington, W. Va.
Connolly Coal Co.	do	Albuquerque, N. Mex.
Buffalo Sand Co., Inc.	do	Luzerne, Pa.
Blackhawk Coal Co.	do	Buffalo, N. Y.
Geo. F. Bevil Gravel Co.	do	Darlington, Pa.
The Aluminum Fluke Co.	do	McAllen, Tex.
The Whitehall Cement Manufacturing Co.	do	Barberton, Ohio.
Woodbury Trap Rock Co., Inc.	do	Auburn, Calif.
Lawrence B. Vollmer	Mar. 18, 1942	Philadelphia, Pa.
Tygart Limestone Co.	do	Torrington, Conn.
Skellon & Wiecks	do	St. Marys, Pa.
St. Mary's Sewer Pipe Co.	do	Lawton, Ky.
Mr. John McDowell	do	Toledo, Oreg.
Neuman Sand & Supply Co.	do	St. Marys, Pa.
Mr. O. B. McSorley	do	Palisade, Colo.
C. T. Wheeling & Son	do	York, Pa.
K & M Coal Co.	do	Newark, Mo.
Horton Stone Co.	do	Franklin, Pa.
Colonial Clay Products Co.	do	Bronaugh, Mo.
Roy Coulon & Richard Coulon	do	Springfield, Mo.
Brookdale Coal Co.	do	New Brighton, Pa.
Mr. John Boyle	do	Oasis, Calif.
Mrs. J. Breen Gravel Co.	do	Mineral Point, Pa.
Yokom Line Quarry	Mar. 19, 1942	Tamaqua, Pa.
Southern Brick Co.	do	Grand Rapids, Mich.
Shackelford Coal Co.	do	Jonesville, Iowa.
Pioneer Quarry & Supply Co.	do	Pontotoc, Miss.
Pike Stone Products Co.	do	Barwick, Ky.
Peckskill Mason's Supply Co., Inc.	do	Vigors, Mo.
Mr. I. E. Paul (Paul mine)	do	Petersburg, Ind.
High Test Oil & Gas Co.	do	Peekskill, N. Y.
Gerwing Coal Co.	do	Gelstown, Pa.
Di Laura Stone Co.	do	Paintsville, Ky.
Colonial Sand & Stone Co.	do	Exchange, W. Va.
Mr. Edwin Hebermeyer	do	Albion, N. Y.
	do	New York City, N. Y.
	do	New Haven, Mo.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

MAR. 2 TO 31, 1942—Continued

Person or organization	Date	City and State
Mr. Clayton Wiseman	Mar. 20, 1942	North Fork, Calif.
Welborn Stone Co.	do	Evansville, Ind.
Howard Tackett & Sons	do	Flat Woods, Ky.
Sobieskie Coal Co.	do	Jesup, Pa.
Gene Riccardi	do	Dunmore, Pa.
Reggie Bros. Coal Co.	do	Worthington, Pa.
Merritt Coal Co.	do	Drakesboro, Ky.
Jones Coal Co.	do	Old Forge, Pa.
Gianforaro Coal Co.	do	Archbald, Pa.
Dorton Elkhorn Coal Co.	do	Dorton, Ky.
The Consumers Sand Co.	do	Topeka, Kans.
Bartley Coal Co.	do	Hellier, Ky.
Alhaneel Coal Co.	do	Dunmore, Pa.
Mozzaro Coal Co.	Mar. 21, 1942	McNees, Pa.
Williams Line Manufacturing Co.	Mar. 24, 1942	Knoxville, Tenn.
Roche Harbor Lime & Cement Co.	do	Roche Harbor, Wash.
New England Lime Co.	do	Adams, Mass.
The Gulf Dolomite Co.	do	Haines City, Fla.
M. A. Gammino Construction Co.	do	Providence, R. I.
Franklin Mineral Product Co.	do	Franklin, N. C.
Fernald & Gray Quarries, Inc.	do	Tarpon Springs, Fla.
Cougar Hill Mine	do	Ibopah, Utah.
Mr. Harold F. Colvin	do	Blossburg, Pa.
Bennett-Claus Co., Inc.	do	Macodoches, Tex.
Athletic Mining & Smelting Co.	do	St. Smith, Ark.
Wichita Flint Gravel Co.	Mar. 25, 1942	Wichita, Kans.
Rusquehanna Sand & Gravel Co., Inc.	do	Wichita, Pa.
Smith Petersen & Co.	do	Benn, Nev.
E. F. Schultz and H. E. Brunson	do	Gold Hill, Nev.
Rockaway Quarry, Inc.	do	Rockaway Beach, Calif.
Mr. Z. Ruhl	do	Douglas, Ariz.
McKenney Drilling Co.	do	Black Rock, Ark.
Mr. A. H. McCrory	do	Albuquerque, N. Mex.
Millers Creek Collieries	do	Paintsville, Ky.
Mr. James Keith	do	Spokane, Wash.
Johnson Sand & Gravel Co.	do	Vandalia, Ohio.
Mr. Charles F. Hensel	do	Uhrichville, Ohio.
John Granger & Sons Coal Co.	do	Glasport, Pa.
Gabbert Coal Co.	do	Morgantown, W. Va.
Engle & Albright	do	Salisbury, Pa.
The Diamond Grit Co.	do	Baltimore, Md.
A. Aind & Sons	do	New Britain, Conn.
Emmett Q. Yates, special	Mar. 26, 1942	Carson City, Nev.
Three Fork Coal Co.	do	Ellamore, W. Va.
Steel Service & Sales Co.	do	Chicago, Ill.
Pacific Sulphur Co.	do	Los Angeles, Calif.
The Murphy Coal Co.	do	Birmingham, Ala.
Imperial Salt Co.	do	Los Angeles, Calif.
Mr. E. C. Guy	do	Newland, N. C.
George Coal Co.	do	Gallup, N. Mex.
Ducey & Altwood Rock Co.	do	E. Pasadena, Calif.
Dixon Construction Co.	do	Centerville, Iowa.
Mr. A. J. Deters	do	Bowling Green, Mo.
Condor Mine	do	Waxhaw, N. C.
City of Burbank	do	Burbank, Calif.
Charles Ochs Co.	do	Cartersville, Ga.
Chapman Gravel Co.	do	Durand, Mich.
C & H Mining & Milling Co.	do	Weldon, Calif.
Bingle Brick Co.	do	Wausau, Wis.
L. M. Baur Mining Co.	do	Montgomery City, Mo.
Acme Brick Co.	do	Port Worth, Tex.
West Branch Sand & Gravel Co., Inc.	Mar. 27, 1942	Williamsport, Pa.
Superior Coal Mine	do	Linton, Ind.
Southern Mines & Minerals Co.	do	Chicago, Ill.
Stiles Sand Co.	do	Knoxville, Tenn.
A. Boncivanni & Sons	do	Meriden, Conn.
Pine Valley Coal Co.	do	St. Marys, Pa.
Page Cooperative Lime Association	do	Luray, Va.
Norfolk Supply Co., Inc.	do	Onley, Va.
Newburgh Coal Co.	do	Newburgh, Ind.
Magie City Coal Co.	do	Tulsa, Okla.
Roy S. Imbrie	do	Butler, Pa.
A. W. Hudson	do	Los Angeles, Calif.
Abram Closson	do	Palmyra, N. Y.
Cushing Stone Co., Inc.	do	Schenectady, N. Y.
Crown Coal Co.	do	La Fayette, Ohio.
Buckeye Mining Co.	do	Lone Pine, Calif.
W. G. Brown & Sons	do	Crooksville, Ohio.
Bonded Coal & Fuel Co.	do	Allentown, Pa.
Alfred Atlas Gravel & Sand Corporation	do	Alfred, N. Y.
Mr. M. A. Wright	Mar. 28, 1942	Berkeley, Calif.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

MAR. 2 TO 31, 1942—Continued

Person or organization	Date	City and State
Mr. Ralph B. Wright	Mar. 28, 1942	Ourray, Colo.
Wheldon Manganese Mines	do	Beverly Hills, Calif.
Frank Vallakin and Associates	do	Las Cruces, N. Mex.
Red Cloud Mines, Inc.	do	Hornitas, Calif.
Mr. A. B. Miner	do	Culver City, Calif.
Lone Tree Manganese Mining Co.	do	San Francisco, Calif.
Rutsch Coal Mine	do	Tarentum, Pa.
Ka-Mi-Tin Concentrating Corporation	do	Lincolnton, N. C.
Jefferson Mines, Inc.	do	Nogales, Ariz.
Mr. Roy S. Imbrie	do	Butler, Pa.
Mr. John Dessert	do	Ogden, Pa.
D'Angelo & Lombardi Coal Co.	do	Yakerville, Pa.
Base Metal Corporation	do	Denver, Colo.
Wilks Coal Co.	Mar. 30, 1942	Osceola Mills, Pa.
Tuck & Miller	do	Butler, Pa.
Mr. W. B. Swelgart	do	Challis, Idaho
Sullivan Machinery Co.	do	Michigan City, Ind.
Sturgeon Bay Co.	do	Leman Bay, Wis.
Smith & McCollum	do	Oakland, Calif.
Frank B. Segor's estate	do	Forty Fort, Pa.
Service Coal Mine	do	Sugar Creek, Ohio
Mr. Frank Finigan, Santa Francisca Mining Co.	do	Nevada City, Calif.
Sandy Creek Gravel Co.	do	Baton Rouge, La.
Freightley Mining & Milling Co.	do	Seattle, Wash.
Parkers Bros. & Co., Inc.	do	Houston, Tex.
Painter & Dell	do	Three Springs, Pa.
Mr. Geo. W. McIntyre	do	Long Beach, Calif.
Mountain Copper Co., Ltd.	do	San Francisco, Calif.
Arthur Mobley	do	Coshocton, Ohio
Mine Development Co.	do	Blythe, Calif.
Miffin Sand Co.	do	Lewistown, Pa.
William Meyer & Sons	do	Baltimore, Md.
Meadwell Lime Corporation	do	Opelika, Ala.
Manhattan Lumber	do	Pinos Altos, N. Mex.
Lynn Camp Coal Corporation	do	Grundy, Va.
Little Tom Mining Co.	do	Benton, Wis.
Abbie E. Lamberty & Son	do	Woodland, Pa.
Kay Coal Mining Co.	do	Everett, Pa.
Mr. Lynn W. Smith, Box 81, care of Howe Sand Co.	do	Holden, Wash.
Hall Coal Co., Mr. Guy A. Hall	do	Morgantown, W. Va.
T. J. Haggerty Mining Co., Inc.	do	Los Angeles, Calif.
Mr. John Gies	do	Payette, Idaho
Mr. John B. George	do	Kellogg, Idaho
Fernold Quarries, Inc.	do	Tarpon Springs, Fla.
Eau Claire Sand & Gravel Co.	do	Eau Claire, Wis.
Defense Metals Co.	do	Los Angeles, Calif.
The Cuyahoga Sand & Gravel Co.	do	Cleveland, Calif.
The Crossman Co.	do	Alderpoint, Calif.
Carolina Mica Mine, Mr. James Edwards	do	Kingsport, Tenn.
Black Creek Coal Co.	do	Zanesville, Ohio
Mr. Geo. H. Beers	do	Fair Oaks, Calif.
Barren Fork Fuel Co.	do	Whitley City, Ky.
Victory Mine	Mar. 31, 1942	Plattsville, Wis.
Valley View Mines Co.	do	Carson City, Nev.
Utah Alloy Ores, Inc.	do	Columbus, Ohio
Tungsten Mill	do	Los Angeles, Calif.
Starkey Coal Co.	do	Toronto, Ohio
Mr. James E. Small	do	Wallace, Idaho
Mr. Chas. H. Segerstrom	do	Socorro, Calif.
Root Zinc Mine	do	Goodsprings, Nev.
Mr. Wm. Piccolomini	do	Connellsville, Pa.
Pettigrew, Stafford & Co.	do	San Francisco, Calif.
Oro Mining Co.	do	Sandpoint, Idaho
New Trail Mining Co.	do	Cima-San Francisco County, Calif.
New Eldorado Mining Co.	do	Mina, Nev.
J. Jerome McLaughlin, lessee	do	Los Angeles, Calif.
McCloskey Mines, Inc.	do	Pacific Palisades, Calif.
Morey Lease Mine	do	Currant P. O., Nev.
Karpen Coal Co.	do	Lovilia, Iowa
Independent Gravel Co.	do	Joplin, Mo.
Hy-Grade Coal Co.	do	Bokoshe, Okla.
N. F. Hazen Co.	do	Beatty, Nev.
Hayes Mine (D. F. Payne estate)	do	Ely, Nev.
Grayson Mercury Mine	do	Winnemucca, Nev.
Mr. A. J. Gard	do	Terlingua, Tex.
Fields Branch Coal Co.	do	Grayson, Ky.
Ely Gold Mining Co.	do	Ely, Nev.
Dorris & Cuddeback	do	Bakersfield, Calif.
Mr. V. Cye Cox	do	Fallon, Nev.
Mr. Tom Christensen	do	Fairbanks, Alaska
Burton, Wemel Clark	do	East Ely, Nev.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

MAR. 2 TO 31, 1942—Continued

Person or organization	Date	City and State
Bird Mining Co., Inc.	Mar. 31, 1942	Big Spring, Tex.
Belmont Lead Mines	do	Ely, Nev.
Mr. F. A. Bachleb	do	St. Helena, Calif.
Antolini Coal Co.	do	Harding, W. Va.
Mr. N. C. Aldo	do	Bishop, Calif.
APR. 1 TO 30, 1942		
Southern Mining Co.	Apr. 1, 1942	Picher, Okla.
Smith Crane Mine	do	Winston, N. Mex.
Mr. W. H. Richards	do	Overland Park, Kans.
Pelican Mining Co.	do	Picher, Okla.
Oak Cliff Sand & Gravel Co.	do	Dallas, Tex.
Needmore Mining Co.	do	Picher, Okla.
Mahoning Mining Co.	do	Rosiclare, Ill.
Leman Machine Co.	do	Portage, Pa.
Lavron Mining Co.	do	Joplin, Mo.
Jones & Oldham Stone Co.	do	Georgetown, Ky.
Iowa-Missouri Mining Co.	do	Webb City, Mo.
Houghton Bros.	do	Ranger, Calif.
Hawthorne Sludge Co.	do	Alba, Mo.
V. Cye Cox	do	Fallon, Nev.
Cowboy Coal Mine	do	Rockville, Ind.
Calico Tungsten Co.	do	Rhodes, Nev.
Brisco Mining Co.	do	Webb City, Mo.
Apex Mining Co.	do	St. George, Utah
A. & C. Mining Co.	do	Picher, Okla.
Peacock Mining Co., Inc.	Apr. 2, 1942	Ashland, Ky.
Madelyn Fischbach, trustee	do	Hot Springs, N. Mex.
Monticello Canyon Development	do	North Lawrence, Ohio
The Lincoln Coal Mining Co.	do	Sante Fe, N. Mex.
Black Range Development Co.	do	Silver City, N. Mex.
Mr. John P. Herndon	do	Avoca, Pa.
Dominic Lombardi	do	Willsboro, Pa.
Stream & Domestic Coal	do	Boise, Idaho
Minnie Moore Mine Development Co.	Apr. 3, 1942	Los Angeles, Calif.
Southwest Lead & Zinc Co.	do	Alpine, Tenn.
Smith & McDonald	do	Wallace, Idaho
Small Leasing Co.	do	New York, N. Y.
Nea Verde Mines Co.	do	Winnemucca, Nev.
Blue Bucket Mine	do	Montezuma, Summit Co.
Midwest Mines, Inc.	do	Callente, Calif.
Locarzo & Simon Mines	do	Kellogg, Idaho
Hilarity Mining Co.	do	Carrizozo, N. Mex.
Engineers Gold & Silver Mining Co.	do	Cuprum, Idaho
South Peacock Mine, John A. and L. A. Dorland	do	Fallon, Nev.
Mr. V. Cye Cox	do	New York, N. Y.
Mr. Geo. Blow	do	Deming, N. Mex.
Birchfield & Dunagan	do	Tenopah, Nev.
Belmont Cinnabar Mining Co.	do	Great Falls, Mont.
Mr. Henry Amason	Apr. 4, 1942	Wanpam, Pa.
Mr. Wm. Wardman	do	Dennison, Ohio
Mr. W. A. Stansberg	do	Ottumwa, Iowa
Howard Coal Co.	do	Kelly Station R. D. 1, Pa.
Mr. V. E. Beck	do	Los Angeles, Calif.
Alexander & Wise, Inc.	do	Harshaw, Via Fatagonia, Ariz.
World's Fair Mines Co.	Apr. 6, 1942	Idaho Springs, Colo.
Williams Mining Co.	do	Orogrande, Idaho
Pennam Mines Corporation	do	Auburn, Calif.
Oro Fino Consolidated Mines	do	San Francisco, Calif.
Kern Mines, Inc.	do	Nogales, Ariz.
Jefferson Mines, Inc.	do	Idaho Springs, Colo.
Harrison-Cressis Mining Co.	do	Manitou Springs, Colo.
Golden Conqueror Mines, Inc.	do	San Francisco, Calif.
Consolidated Chollar Gould	do	Idaho Springs, Colo.
Conqueror Operating Co.	do	Pioneersville, Idaho
Come Back Mining Co.	do	Los Angeles, Calif.
Calistoga Mining & Development Co.	do	Dendwood, S. Dak.
Z. M. Copper Industries, Inc.	Apr. 7, 1942	New Straitsville, Ohio
Straitsville Brick Co.	do	Zortman, Mont.
Foster Bros. Dixiana Sand Co.	do	Prescott, Ariz.
Ruby Gulch Mining Co.	do	Ransburg, Calif.
Postmaster Mine	do	Avenal, Calif.
Mr. T. B. Petersen	do	Burkessville, Ky.
Pacific Quiliver Mines	do	Salmon, Idaho
Pace Crushed Stone Co.	do	Lewistown, Mont.
Overlook Mining Co.	do	Dayton, Ohio
North Moccasin Mines Syndicate	do	
The McLaren Gold Mines Co.	do	

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

APR. 1 TO 30, 1942—Continued

Person or organization	Date	City and State
McCorkle Stone Co.	Apr. 7, 1942	Milroy, Ind.
Mr. Albert B. Long	do	Oakland, Calif.
Kings River Mining Co.	do	Fresno, Calif.
Kaiser-Nelson Co.	do	Cleveland, Ohio.
Inter-City Sand & Gravel Co.	do	Eugene, Oreg.
Howard Henry Quarries	do	Tecumseh, Kans.
Hoffling Bros.	do	Sacramento, Calif.
Mr. W. W. Hartman	do	Los Angeles, Calif.
Grubstake Mine	do	Butte, Mont.
Greenhorn Mining Co.	do	Phoenix, Ariz.
Green Campbell Mining Co.	do	Silver Star, Mont.
Golden Red Mining Co.	do	Spokane, Wash.
Gilmore, Mines, Inc.	do	Seattle, Wash.
Mr. John B. Furstenberg	do	Denver, Colo.
The Florence Co.	do	Neihart, Mont.
Exploration Syndicate, Inc.	do	Salt Lake City, Utah.
Ermont Mines, Inc.	do	Dillon, Mont.
De Lamar Mining Corporation	do	De Lamar, Idaho.
Consumers Mines, Inc.	do	El Dorado County, Calif.
The Cleveland Builders Supply Co.	do	Cleveland, Ohio.
Cherokee Mine	do	San Francisco, Calif.
Mr. Chas. L. Cassidy	do	Marion, Ky.
The California Hidden Treasury Mines Co.	do	Denver, Colo.
Buffalo Mine	do	Portland, Oreg.
The Argo Mining, Drainage	do	Denver, Colo.
Anglo Saxon Mines, Inc.	do	Georgetown, Colo.
Alabama-California Gold Mines Co.	do	Seattle, Wash.
Acme Fireproof Block Co.	do	Lima, Ohio.
Accord Lime Industry	do	Accord, N. Y.
Geo. J. Yocum	Apr. 8, 1942	Milton, Pa.
Van Patten Bros.	do	Bonaparte, Iowa.
Whitaker's Mines	do	Norton, Va.
Troy Gravel Co.	do	Troy, Ohio.
Standard Gravel Co.	do	Lexington, Miss.
Staley Coal	do	Rangely, Colo.
Sims Coal Co.	do	Perry, Mo.
Joe Simmon Coal Mine	do	Ozark, Ark.
J. H. Scott Co.	do	San Francisco, Calif.
North Shore Sand & Gravel Co.	do	Port Washington, N. Y.
Mr. O. L. Neyland	do	San Antonio, Tex.
Napeo, Inc.	do	Burbank, Calif.
Mio Limestone & Fertilizer Co.	do	Sedalia, Mo.
Miller & Schook	do	Tamagun, Pa.
Mr. Sa. lord B. Meyerson	do	Cleveland, Ohio.
Merced Sand & Gravel Aggregate Co.	do	Winton, Calif.
Lawrence County Limestone Co.	do	Black Rock, Ark.
Leger Blue Gem Coal Co.	do	Williamsburg, Ky.
Landa Coal Corporation	do	Delbarton, W. Va.
Lanwehr Stone Co.	do	Ottawa, Ohio.
Kennedy Mining & Milling Co.	do	San Francisco, Calif.
Thomas West & Son	do	Ashland, Ky.
Jay Kay Mining Co.	do	Henderson, Ky.
Jackson Stone & Coal Co.	do	Jackson, Ohio.
Golden West Quarry	do	San Francisco, Calif.
Giantonero Coal Co.	do	Archbald, Pa.
East Steubenville Coal Co.	do	Collier, W. Va.
Cunningham Coal Co.	do	Columbiana, Ohio.
Clifford J. Cox	do	Angola, Ind.
City of Chattanooga	do	Chattanooga, Tenn.
Mr. A. A. Childress	do	Picher, Okla.
Century Granite Co.	do	Snyder, Okla.
Boardman Coal Mine	do	Gallup, N. Mex.
Belma Corporation	do	Fort Wayne, Ind.
Balsu Mining Co.	do	Wellsville, Ohio.
Arl-Butte Operating Co.	do	Sombrero Butte, Ariz.
Wukile Bros. Coal Co.	Apr. 9, 1942	Stubenville, Ohio.
Statesville Brick Co.	do	Statesville, N. C.
Smicksburg Lime Co.	do	Smicksburg, Pa.
Lee O. Shaw	do	West Lafayette, Ohio.
Reliance Whiting Co.	do	Alton, Ill.
D. P. Mather & Son Sand Co.	do	East Hartford, Conn.
Logan County Quarry	do	Russellville, Ky.
Kish Coal Co.	do	Powhatan Point, Ohio.
Halquist Lannon Stone Co.	do	Sussex, Wis.
Courtney & Plummer	do	Neenah, Wis.
City of Burlington	do	Burlington, N. C.
L. A. Wilson Engineering Works	Apr. 10, 1942	Veyo, Utah.
Taber Parker Mining Co.	do	Winnemucca, Nev.
Silver Circle Mining Co.	do	Spokane, Wash.
Mr. J. G. Sawyer	do	Boise, Idaho.
Sandoro Mining Co.	do	Los Angeles, Calif.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

APR. 1 TO 30, 1942—Continued

Person or organization	Date	City and State
Fanny Rawlings Mining Co.	Apr. 10, 1942	Leadville, Colo.
Monumental Mines	do	San Francisco, Calif.
Leader Manganese Mining Corporation	do	Logan, Utah.
Leasing Silver Lead Mining Co.	do	Wallace, Idaho.
H. Hughes-Roberts	do	San Antonio, Tex.
Hilarity Mining Co.	do	Wallace, Idaho.
M. D. Funberg	do	St. Louis, Mo.
Helle Eldridge Gold Mines	Apr. 7, 1942	Canton, S. Dak.
do	Apr. 10, 1942	Deadwood, S. Dak.
Trentham Milling Co.	Apr. 11, 1942	Picher, Okla.
Mr. Jacques K. Stanland	do	Los Cruces, N. Mex.
silver Horn Mine	do	Wendover, Utah.
Mr. Sherman S. Smith	do	Giant Pass, Oreg.
William F. Schwarz & Son	do	Baltimore, Md.
Mr. John Ross	do	Custer, S. Dak.
Richmond Coal Co.	do	North, Va.
Nichaus Coal Co.	do	Lamar, Mo.
Moses & Gorman	do	Pleasant View, Ky.
The Hamilton-Trenner Coal Co.	do	Cambridge, Ohio.
Griffis & Morrow	do	Greenwood, Ky.
James N. Ford Coal Co.	do	Hartford, Ark.
Dorton Elkhorn Coal Co.	do	Dorton, Ky.
Mr. Donald E. Clements	do	Englewood, Colo.
Frank Busheka	do	North Adams, Mass.
White Coal Co.	Apr. 13, 1942	Hima, Ky.
United Coke Co.	do	Scottsdale, Pa.
Troy Coal Co.	do	Crookville, Ohio.
Simpson Coal Co.	do	Ottumwa, Iowa.
M. E. Shank, Inc.	do	Lincolnton, Ga.
Pond Creek Mining Co., Inc.	do	Stone, Ky.
Olsen Mining Co.	do	Tulsa, Okla.
New Green Briar Coal Co.	do	Hime, Ky.
Maple Ridge Mining Corporation	do	Maple Ridge, Pa.
M. & H. Mining Co.	do	Potosi, Wis.
Lanwood Stone Products Co.	do	Davenport, Iowa.
Abbie E. Lansberry & Son	do	Woodland, Pa.
Humphreys Coal Corporation	do	Denver, Colo.
Hammack Coal Co.	do	Bullivan, Ky.
Oscar M. Gray & Son	do	Butler, Md.
Gray Eagle Mining Co.	do	Evergreen, Colo.
Glen Coal Co.	do	Plains, Pa.
Dunlevy Coal Co.	do	Dunlevy, Pa.
Del Carbo Mining Co.	do	New Marshall, Ohio.
Mr. Ralph Davis	do	Leadpoint, Wash.
Davis Fork Co.	do	Shinnston, W. Va.
Dandy Coal Co.	do	Jessup, Pa.
Crown Point Spar Co., Inc.	do	Crown Point, N. Y.
Boyles Coal & Supply Co.	do	New Castle, Pa.
Abbeon Sand & Gravel Co.	do	Atlantic City, N. J.
Wash Sand & Gravel Co., Inc.	Apr. 14, 1942	New Orleans, La.
Yonago Limestone & Coal Co.	do	Emilonton, Pa.
Tyson Chrome Mines, Ltd.	do	San Francisco, Calif.
Trafford Coal Co.	do	Trafford, Pa.
Sweeney Coal Co.	do	Hopewell, Pa.
Summi Mines, Inc.	do	Great Falls, Mont.
Steam Fuels Co.	do	New York, N. Y.
Spring Run Coal Co.	do	Wilkinsburg, Pa.
Somerset Crushing Co.	do	Bernardsville, N. Y.
Sand & Gravel Co.	do	Lexington, Miss.
The Prince Manufacturing Co.	do	Howmanstown, Pa.
Pine Top Mine	do	Globe, Ariz.
Wm. Piccolomini	do	Connellsville, Pa.
Joe Perkins	do	Davy, W. Va.
Old Hemer Mine	do	Lakeview, Idaho.
Meramac Minerals, Inc.	do	Cleveland, Ohio.
Frank Jones & Co. Coal Co.	do	Brasil, Ind.
Von B. Johnson	do	Snow Shoe, Pa.
Jahncke Service, Inc.	do	New Orleans, La.
Mr. James O. Greenan	do	Reno, Nev.
Craig Coal Co.	do	De Soto, Ill.
Cinci Coal Co.	do	Masontown, Pa.
Chester Granite Quarries Co.	do	Chester, Mass.
Mr. C. C. Carter	do	Ashtabula, Ohio.
Black Star Coal Co.	do	Sherrodsdale, Ohio.
F. H. Bailey & Sons	do	Kenton, Ohio.
Anthony Pasquarette	do	Strattanville, Pa.
C. T. Wheeling & Son	Apr. 16, 1942	Franklin, Pa.
Tipton Gravel Pit	do	Nashville, Ohio.
Talmadge Haynes	do	Charleston, W. Va.
Stiles & Son	do	Lebanon, Mo.
Mr. James B. Fell	do	Courtsford, Calif.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

APR. 1 TO 30, 1942—Continued

Person or organization	Date	City and State
Sam Lambert & Sons	Apr. 15, 1942	Marysville, Tenn.
Dixie Sand & Gravel Co.	do	Flomaton, Ala.
Crow Coal Co.	do	Tracy, Iowa
Mr. Andrew Bremahn	do	Waukon, Iowa
L. J. Scott & Co.	Apr. 16, 1942	Cartersville, Ga.
Frank T. Jackson	do	Do
Harpe Hill Coal Co.	do	Greenville, Ky.
Givens & McCullen	do	Rockwood, Tenn.
Mr. J. E. Beydler	Apr. 17, 1942	Dixon, Mo.
Sejovia Rock Co.	do	Lemon Cove, Calif.
Mr. Geo. M. Rowen	do	Altavista, Va.
Reed Coal Co.	do	Norton, Va.
Mr. J. C. Orander	do	Bedalia, Mo.
Loy, Creps & Hall	do	Westminster, Ohio
Lantern Hill Silica Co., Inc.	do	Myrtle, Conn.
The Hutton Co.	do	Kinston, N. Y.
The Frank Flinn Construction Co., Inc.	do	Dodson, Mo.
Del Paso Rock Products Co.	do	Sacramento, Calif.
Cumberland Sand & Gravel Co.	do	Portland, Maine
Carrey Brick Co.	do	Chicago, Ill.
Campbell Bros.	do	Russellville, Mo.
California Best Co.	do	San Francisco, Calif.
Alto Mine	do	Wickenburg, Ariz.
Alamo Sand & Gravel Co.	do	Corpus Christi, Tex.
A. & E. Stone Co.	do	Casey, Ill.
The Windsor Building Supplies Co., Inc.	Apr. 18, 1942	Newburgh, N. Y.
Moonlight Mining Co.	Apr. 20, 1942	Maxville, Mont.
Eshbaugh & Sweetser Coal Co.	do	Mayport, Pa.
Casey Lime & Stone Co.	do	Casey, Ill.
Burns Coal Mine	do	Red Lodge, Mont.
John E. Bartley	do	Ashcamp, Ky.
Andrew and Marie Balbo	do	Leechburg, Pa.
Western New York Washed Sand & Gravel Co.	Apr. 21, 1942	Batavia, N. Y.
West Coast Coal Mines, Inc.	do	Seattle, Wash.
Mr. John E. Dooley	Apr. 22, 1942	Salt Lake City, Utah
Mr. Luther H. Cavatas	do	Yellville, Ark.
Walstead Coal Co.	Apr. 23, 1942	Pineville, Ky.
River Coal & Supply Co.	do	New Albany, Ind.
Mr. C. C. Loomis	do	Canaan, Conn.
Glenallen (Mo.) plant	do	Glenallen, Mo.
Mr. James Keith	do	Spokane, Wash.
Mr. Robert Conner	do	Cambridge, Ohio
Weller Fuel Co.	Apr. 24, 1942	Pineville, Ky.
Collier Mine	do	San Francisco, Calif.
The Standard Slag Co.	do	Youngstown, Ohio
E. L. Sayers Coke Co.	do	Anneton, Ala.
The Safeway Rock Co.	do	Tampa, Fla.
Reichman Coal Co.	do	Bewerston, Ohio
N. R. Garrett, doing business as City Quarry	do	Columbia, Mo.
Colonial Mining Co.	do	Joplin, Mo.
Buckeye Coal & Limestone Co.	do	Ironton, Ohio
Union City Tile Co.	Apr. 25, 1942	Union City, Tenn.
Miller Coal Co.	do	Regina, Ky.
Harding Coal Co.	do	Sullivan, Ark.
Melvin Stone Co.	do	Spadra, Ark.
Joseph C. Spariot	Apr. 26, 1942	Melvin, Ohio
Bentley & Bartley Coal Co.	Apr. 27, 1942	Luzerne, Pa.
Cardinal Gold Mining Co.	do	Ashcamp, Ky.
Mr. Adolph Chasovsky	do	Tuscarora, Nev.
Varney & Rose	Apr. 28, 1942	Fort Worth, Tex.
Sheldman Bros.	do	Road Fork, Ky.
Mike Sergio	do	Bloomsburg, Pa.
Henry Porter & Co.	do	Franklin, Pa.
Oro Mining Co.	Apr. 28, 1942	Allen, Ky.
Columbia Lead & Zinc Mining Co.	do	Sandpoint, Idaho
Darby Coal Mines	do	Spokane, Wash.
Seneca Petroleum Co., Inc.	Apr. 30, 1942	Cumberland, Ky.
Mr. Elmer N. Learner	do	Chicago, Ill.
Great Northern Iron Ore Properties	do	Tuscarawas, Ohio
Kern Mines, Inc.	do	St. Paul, Minn.
Donora Mining Co., Inc.	do	San Francisco, Calif.
Coalville Coal Co.	do	Nederland, Colo.
Cape Fear Contracting Co.	do	Streator, Ill.
Alaska-California Gold Mines Co.	do	Manchester, N. C.
	do	Auburn, Calif.

MAY 1 TO 15, 1942

Worlock Stone Co.	May 1, 1942	Canastota, N. Y.
Wagoner Coal Co.	do	Porter, Okla.
Shelton Crusher Co.	do	Versailles, Ky.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

MAY 1 TO 15, 1942—Continued

Person or organization	Date	City and State
Mercer County Road Department	May 1, 1942	Harrodsburg, Ky.
Lupper Coal Co.	do	Salem, Ohio
Mr. Edwin H. Krieger	do	Union, Mo.
Granger Stone Quarry	do	Washington C. H., Ohio
Edwards Bros. Coal Co.	do	New Philadelphia, Ohio
Mr. Fred B. Zellmer	May 2, 1942	Mount Pleasant, Pa.
C. B. Wilkerson	do	Phillipsburg, Pa.
Walnut Run Coal Co.	do	Barnesboro, Pa.
J. W. Stack Coal Co.	do	Phillipsburg, Pa.
Owl Coal Co.	do	Hallsopple, Pa.
New England Lime Co.	do	Adams, Mass.
Gillett Coal Co.	do	Carbondale, Pa.
Crocket Coal Co.	do	Dunbar, Pa.
Mr. S. C. Yingling	May 4, 1942	Evanaville, Ind.
Yeager Coal Co.	do	Hallsopple, Pa.
H. E. Tickhill Coal Co.	do	Barnesville, Ohio
Mrs. Chas. Smallfield	do	Kent, Ohio
Pete Pettinato	do	Baltimore, Md.
Oswald Bros.	do	Los Angeles, Calif.
Mr. W. T. Musser	do	Rural Retreat, Va.
Manley Cooperative Mining Co.	do	Neffs, Ohio
Lichty Construction Co.	do	Rawlins, Wyo.
Leasing from Wolf Tongue Mining Co.	do	Nederland, Ohio
Mr. Donald G. Kopecky	do	Ingleswood, Calif.
King Horse Creek Coal Co.	do	Manchester, Ky.
Mr. Henry Harris	do	Depoy, Ky.
Hardy Co., Mari Co.	do	Moorefield, W. Va.
Gilt Edges Mines, Inc.	do	Deadwood, S. Dak.
Carlos Coal Co.	do	Bristol, Va.
Francis Brannan	do	Lectonia, Ohio
Wells Coal Co.	May 5, 1942	Bergholm, Ohio
W. M. P. Coal Co.	do	Melcher, Iowa
Twin City Coal Co.	do	Do
Southern Europar Co.	do	Harrisburg, Ill.
Mr. A. J. Ralsch	do	San Jose, Calif.
New Standard Coal Co.	do	Dallas, Iowa
Morris Limestone Co.	do	Morris, Ill.
Mr. L. T. Long	do	Perry, Mo.
Lone Mountain Development Co.	do	Goldfield, Nev.
Mr. C. A. Langford	do	Gallatin, Tenn.
Hi-Grit Stone Co.	do	Morgantown, W. Va.
Mr. L. I. Hayes	do	Washington, Iowa
Mr. H. W. Gifford	do	Little Lake, Calif.
Gale Creek Coal Co.	do	Wilkeson, Wash.
Feldman Fuel & Supply Co.	do	Salt Lake City, Utah
Mr. John E. Dooley	do	Potomac, Okla.
Dane-Potomac Smokeless Coal Co.	do	Columbia, Tenn.
Columbia Foundation Co.	do	Los Angeles, Calif.
Blue Star Mines, Ltd.	do	Eynon, Pa.
Blue Ridge Coal Co.	do	Black Creek, Wis.
Blackcreek Limestone Co.	do	Hellier, Ky.
W. N. Birchfield	do	Big Branch, Ky.
Mr. Hillard Bartley	do	Orrick, Mo.
Albertson & Son Coal Co.	do	Michlipan City, Ind.
Sullivan Machinery Co.	May 6, 1942	Jackson, Mich.
Agricultural Lime Stone Co.	do	Pawtucket, R. I.
River Sand & Gravel Co.	do	Richton, Miss.
Richton Investment Co.	do	Plymouth, Pa.
Mines Plains Coal Co.	do	Louisville, Ky.
Jefferson County Quarry	do	Jackson, Ohio
Jackson Silica Gravel & Sand Co.	do	Springville plant, Salamanca, N. Y.
Hornell Gravel Corporation	do	Do
Do	do	Irving plant, Salamanca, N. Y.
Do	do	Alfred plant, Salamanca, N. Y.
Hanley Co.	do	Bradford, Pa.
Donley Brick Co.	do	Washington, Pa.
Crawford Sand & Gravel Co.	do	Meadville, Pa.
Wm. M. Brunk Coal & Lumber Co., Inc.	do	Hudson Falls, N. Y.
Mr. R. S. Blanton	do	Altoona, Ala.
Black Diamond Coal Co.	do	St. Charles, Va.
Hornell Gravel Corporation	do	Allegheny plant, Salamanca, N. Y.
Anchor Stone & Materials Co.	May 7, 1942	Tulsa, Okla.
American Mineral Co.	do	Canth, Calif.
Woodward Coal Co.	do	Greensburg, Pa.
Windber High Grade Coal Co.	do	Windber, Pa.
Mr. Forest Warner	May 8, 1942	Newton, Iowa
Vallecito Mining Co., Inc.	do	Angelo Camp, Calif.
United States Quarry Tile Co.	do	Parkersburg, W. Va.
Twin Buttes Mining Syndicate	do	San Francisco, Calif.
Terra Alta Lime Co.	do	Terra Alta, W. Va.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

MAY 1 TO 15, 1942—Continued

Person or organization	Date	City and State
Stevens & Sons	May 8, 1942	Watson, W. Va.
Smallwood Stone Co.	do	Opekska, W. Va.
Smallwood Low Stone Co.	do	Do.
The Quality Sand & Gravel Co.	do	Wapakoneta, Ohio.
Priscilla Coal Co.	do	South Fork, Pa.
Parsena Bros.	do	Bergholz, Ohio.
Oreana Extension, Inc.	do	Lovelock, Nev.
William Miller	do	Knox Dale, Pa.
Mill Creek Copper Co.	do	Mountain City, Nev.
Mr. Joe E. McCarthy	do	Inlay, Nev.
Monongah Construction Co.	do	Howden, W. Va.
Meco, Inc.	do	Cleveland, Ohio.
Limerick Mineral Corporation	do	Jackson, Ohio.
Lime Mountain Consolidated	do	Salt Lake City, Utah.
Krow Coal Co.	May 7, 1942	Tunnelton, W. Va.
Whitmore Quality Concrete & Quarry Products	do	Staunton, Va.
Western Lime Products Co.	do	Los Angeles, Calif.
Vidmar Bros.	do	Fruita, Colo.
Mr. Harvey Tichenor	do	Greenville, Ky.
C. W. Rose Coal Co.	do	Virginia City, Va.
Riverdale Gravel Co.	do	Mandan, N. Dak.
Nix & Nix	do	Nucila, Colo.
Midwest Pre-Crete Co.	do	Kansas City, Mo.
Mr. Ralph Meyers	do	West Olive, Mich.
Keck Coal Co.	do	Newwood, Colo.
Hughitt Mining Co.	do	Princeton, Ky.
H. D. Sand Co.	do	Trees, Kans.
Mr. E. C. Gaines	do	Elizabethtown, Ill.
Carl Frymire	do	Silver City, N. Mex.
Mr. Ralph C. Everson	do	Terre Haute, Ind.
Consumers Lime Co.	do	Goldbar, Wash.
Childress Coal Co.	do	Dunannon, Va.
Ben Archuleta & Wm. Lofters	do	Walsenburg, Colo.
Apex Coal Co.	do	Wilkinson, Wash.
Gold Cup Mining Corporation	May 8, 1942	Hot Springs, N. Mex.
Freeport Coal Co.	do	Tunnelton, W. Va.
Fraser Coal Mine	do	East Brady, Pa.
Eikton Lime & Stone Co.	do	Eikton, Va.
Diamond Gold Mining Co.	do	Nelson, Nev.
Big Four Coal Co.	do	Spiro, Okla.
Betchy Coal Co.	do	Smithfield, Pa.
F. Bartola & A. Waits	do	Six Mile Run, Pa.
Antimony Producers Co.	do	Reno, Nev.
Warden Mining Co.	do	Colorado Springs, Colo.
Wald Leasing Co.	do	Salt Lake City, Utah.
Southside Mining Co.	May 9, 1942	Joplin, Mo.
Prosper Mining Co.	do	Millford, Utah.
Pike Mining Co.	do	Glenwood, Ark.
Miller Manganese Mining Co.	do	Emory, Va.
John W. Mallory Ore Co.	do	Anniston, Ala.
Hunt-Craig Mining Co.	do	Baxter Springs, Kans.
Humphreys Gold Corporation	do	Denver, Colo.
J. E. Herndon	do	Versailles, Mo.
Flagstaff Bonanza Mining Co.	do	Park City, Utah.
Mr. E. John Erickson	do	San Francisco, Calif.
Engineers Gold & Silver Mining Co.	do	Carrizozo, N. Mex.
C. Teus Dautziger and Associates	do	Pagosa Springs, Colo.
Columbus Mining Co.	do	Columbus, Kans.
Carson Mining & Milling Co.	do	Carl Junction, Mo.
Brighter Days Mining Corporation	do	Chilbride, Ariz.
Booker & Tucker	do	La Fayette, Ga.
Big Four Mining Co.	do	Trees, Kans.
Mr. Anson G. Betts	do	West Cunningham, Mass.
W. C. K. Berlin	do	Denver, Colo.
Yarbrough & Hatley	do	Providence, Ky.
Mr. J. W. Stewart	May 11, 1942	Creekside, Pa.
George A. Steele and Calvin R. Reed	do	Wellston, Ohio.
Mr. Leslie Mohr	do	Bellefontaine, Ohio.
Mellett Bros. Coal Co.	do	Mineral Ridge, Ohio.
L. & S. Coal Co.	do	London Mills, Ill.
Kolob Manganese Co.	do	Salt Lake City, Utah.
The John W. Karch Stone Co.	do	Celina, Ohio.
Jones Gravel & Coal	do	Newark, Ohio.
Jones Cut Stone Co., Inc.	do	Syracuse, N. Y.
H. M. Higginson	do	Newburgh, N. Y.
Hall Hawkins & Son	do	Richlands, Va.
Mr. H. H. Hansenkratt	do	Kansas City, Mo.
Mr. Cyril L. Garvey	do	Ouseola Mills, Pa.
Blackwater Mining Co.	do	Blackwater, Mo.
Barbour, Smith & Co.	do	Los Angeles, Calif.
A. A. Arluck	do	Vanadium, N. Mex.

List No. 2 includes the names of persons or organizations that were not granted serial numbers, but that were advised to operate under order P-100—Continued

MAY 1 TO 15, 1942—Continued

Person or organization	Date	City and State
Tri County Agriculture Lime Co.	May 12, 1942	Frenchburg, Ky.
Racoma Coal Co.	do	Centerville, Iowa.
Nashville Lime & Stone Quarries Co.	do	Glenmont, Ohio.
The Lashon Cement Co.	do	Lisbon, Ohio.
A. M. Hobbs Coal Co.	do	Hartford, Ark.
Mr. Eddie Mae Webb	do	Central City, Ky.
Mr. Garnet M. Wasson	May 13, 1942	Sedalia, Mo.
Red Wing Sewer Pipe Corporation	do	Red Wing, Minn.
Carpenter Mining Co.	do	Picher, Okla.
Mr. Frank Berner	do	Washington, Mo.
Barfield Sand & Gravel Co.	do	Blytheville, Ark.
Athens Lime & Coal Co.	do	Rupert, W. Va.
Gauley Coal Land Co.	May 14, 1942	Warwick, Mass.
Warwick Mining Co.	May 15, 1942	Do.
Highland Peat Mines	do	Castine, Maine.
Mr. B. W. Richardson	do	Pouderly, Ky.
The Melva Coal Co.	do	Drift, Ky.
Dixon Construction Co.	do	Centerville, Iowa.
Burtons Ford Coal Co.	do	St. Paul, Va.

Senator McCARRAN. Growing out of what has been related here as to your Board not in anywise controlling the exportation of mine machinery, I am going to ask you, would it not be well that your Board have control over the exportation of mine machinery from this country to foreign countries, in order that you might look with propriety on the situation and view the situation as you view the situation at home, as to whether or not the exportation was essential as against the home demands?

Mr. NELSON. Senator, can I speak off the record?

The CHAIRMAN. This is off the record.

(There was a discussion off the record, after which the following occurred:)

Mr. NELSON. I would like to state that, naturally, the mining branch of the Materials Division will be very glad to look after anything relating to mining activity when that duty is assigned to them by the War Production Board.

Representative WHITE. It is unthinkable that any advantages that might be obtained in a business or trade standpoint in some foreign country would be permitted to outweigh the procurement or production of strategic metals in our own country. You would not think that would be possible, would you?

Mr. NELSON. I do not think it is.

Representative WHITE. You are talking now about economic warfare and capturing foreign trade by competing with foreign production. Now, you would not think that we, for a minute, would tolerate a condition that would take advantage of some trade arrangement and curtail the production of strategic materials in this country in order to do that?

Mr. NELSON. I do not quite follow you. I think the statement you are making deals with questions that the mining branch has nothing to do with.

Representative WHITE. As a policy of the Government, we would not want to starve our mining industry at home in producing strategic materials, to export machinery and equipment in an economic war, to have a trade advantage in some foreign country, and put some com-

petitor out of business that is supplying the same kind of machinery? Is that not the object?

Mr. NELSON. That is a very involved question. I am sorry. I can't follow you.

Senator THOMAS of Idaho. Doctor, yesterday I raised this question. I raised it because I wondered how you were able to arrive at priorities and the supply and demand of mine machinery in order to make priorities possible, when you had another branch of the Government exporting this machinery to everybody, without your knowing about it. I wondered how you would arrive at it. I did not ask it to be critical. I asked it to clear up the subject in my own mind. I asked what method you used, if you have one department of the Government that is exporting this machinery and you have no information about that at all.

Senator McCARRAN. The situation presents itself this way to me, in my poor way of looking at it, Doctor: That one Federal authority is creating a scarcity of a commodity by permitting or allowing its exportation, and the other Federal agency, your own, is confronted with the scarcity created by the other board and reflecting that scarcity onto the industry that you are fostering.

Mr. NELSON. I cannot say whether that statement is correct.

Senator McCARRAN. I would not expect you to. I am making that statement of my own accord.

Senator MILLIKIN. Dr. Nelson, how many milling-machinery manufacturers are there in this country?

Mr. NELSON. The great majority of mining machinery is made by somewhere between one hundred and one hundred and fifty companies.

Senator MILLIKIN. Has your agency made any survey of those mining-machinery manufacturers to determine exactly what they are making that is not mining machinery?

Mr. NELSON. The makers of mining machinery in most cases are either making nothing but mining machinery or mining machinery and direct munitions for the Army and Navy.

Senator MILLIKIN. That is what I am getting at.

Mr. NELSON. The direct munitions that they are making for the Army and Navy I think are more or less military secrets.

Senator MILLIKIN. Then, you have not made a survey of what you term munitions, because "munitions" covers the whole category of the war-supply effort.

Mr. NELSON. I am speaking of direct war munitions, such as parts of tanks, and parts of battleships, and so on.

Senator MILLIKIN. Has your Board made a survey? Do you know that that is a fact?

Mr. NELSON. We know what most of mining-machinery companies are making. That part of their plants which are not turned over to the making of mining machinery, are being used by the Army and Navy in making munitions, or in the making of machine tools.

Senator MILLIKIN. Could you form your judgment on whether what they are making, other than mining machinery, is more important to the war effort than mining machinery?

Mr. NELSON. I would say it is a very complicated problem.

Senator MILLIKIN. I wonder if you could not, perhaps by a survey

of those plants, see whether or not they are making things that are more important than mining machinery?

Mr. NELSON. If a part of your mining machine plant is engaged in making certain complicated machinery for a battleship, the question to be decided is whether that equipment should be made or more mining equipment should be made. If a part of a plant is making parts for tanks, the question arises whether it is more important to make those additional tank parts or make more mining machinery.

Senator MILLIKIN. Exactly.

Mr. NELSON. I cannot answer the question.

Senator MILLIKIN. But it might also occur in a number of factories that they were making things which your agency might conclude were not as important as mining machinery, and in that event, by a diversion of their energy, might add to the store of mining machinery?

Mr. NELSON. But in each case these plants are making munitions directly for the Army or Navy or making mine machinery.

Senator MILLIKIN. Eighty-three thousand items are included in the subject of munitions, and out of those 83,000 items there is probably a large category of items that is not nearly as important as mining machinery. I am merely making a suggestion to you as to how you might increase your store of mining machinery.

Mr. NELSON. I can say that I have visited personally the plants of the three largest makers of mining machinery in the United States and that the part of the plant of each one of those makers that is not engaged in making mining machinery is engaged in making direct munitions—parts of tanks or items of that type.

Senator MILLIKIN. I most respectfully urge that you think on that subject of whether you can store up more mining machinery by diverting such things not as important as mining machinery, if such a situation exists.

The CHAIRMAN. Are there any further questions of Dr. Nelson?

Senator McCARRAN. I want to say that I do hope you will be present at the next meeting of the committee, Doctor, not that I have any further questions to propound to you, but I would like to have you here to listen to those who will make their statements, because they know more about this subject than those of us who are members of the committee.

STATEMENT OF WILLIAM L. BATT, DIRECTOR OF MATERIALS, WAR PRODUCTION BOARD; CHAIRMAN OF THE REQUIREMENTS COMMITTEE

The CHAIRMAN. State your full name.

Mr. BATT. William L. Batt.

The CHAIRMAN. Where do you reside?

Mr. BATT. Washington.

The CHAIRMAN. What is your present office?

Mr. BATT. Director of Materials, War Production Board, Chairman of the Requirements Committee.

The CHAIRMAN. Just in a sentence or two, give us the background of your experience of the last few years.

Mr. BATT. Well, I am an engineer, Senator.

The CHAIRMAN. What kind?

Mr. BATT. Mechanical engineer and a manufacturer.

The CHAIRMAN. What products do you manufacture?
Mr. BATT. I have spent all my life in the ball-roller-bearing business, but I have no detailed knowledge of the mining industry, and my experience with these problems has been more directly gained as a result of the way in which the Materials Division has come in contact with the war program.

I am here this morning, I think, at Senator McCarran's suggestion, not that I have any statement to make, because I know very little about it. I am very glad to meet with the committee. I have had a rather liberal education in some of the aspects of this situation which I never had before.

As I say, I have no formal statement, but I have two or three comments I would like to make, and they arise out of some of the statements I have heard around this table. I have noted them here.

One of them is: Prejudice against the mining industry as indicated by the action of the War Production Board. Next: Not in the interest of those Western States. Now, I wish it could be clear to everyone that the War Production Board attempts to take a completely dispassionate interest in everything except one, and that is, What can be done more quickly to win the war? While we try to avoid all prejudices and try to be as completely dispassionate as we can be, we have no feelings about any industry except as to its contribution toward winning the war.

Now, the thing that is not understood by the public is the shortness of these critical materials out of which, for example, mining machinery is made.

When Mr. Nelson puts up to the Requirements Committee of the War Production Board a total of his material needs to maintain such part of the mining industry as is to be maintained, we find there an impressive total of aluminum, amongst other things, copper, various forms of steel, and we find at the same time that to make those parts and that machinery is taking manufacturing space which the Navy and the Army are more anxious to have.

So it is a positive effort on the part of the War Production Board against great opposition to maintain the support which the mining industry has had—not that the War Production Board has made an effort to discriminate against the mining industry. Indeed, I think, Senators, that when the history of this effort is written, we will find that there has been a greater development of natural resources in the West than ever before in the history of the country in the same length of time. The figures are rather impressive to me.

I do not know that they have ever been adequately put together, but I am sure that what has been done in the West in the last couple of years arising out of the determination of the War Production Board and other government agencies to get the most critical materials has not been told in full. I was reading through a record I had last night in my office, and if you do not mind my taking a minute, I would like to give you that picture.

The War Production Board has 300 mineral and metal specialists. It works steadily with the Geological Survey and the Bureau of Mines on the development of new properties. Those two agencies have right now, I am informed, between 50 and 60 parties out in the field looking for new properties.

The National Academy of Science and its subordinate, the National

Research Council, have appointed a very considerable number of technological committees to report specially to us on what can be done with new processes to beneficiate low-grade ores that have otherwise not heretofore been practical, and we have had some sixty-odd reports from them, just on ore extraction processes alone, many of which have been used.

We have coordinated and consolidated, as far as was practicable, private capital, and there has been a good deal of it spent in the development of the mineral resources of the West.

There are 40 major mineral projects now going forward under Government auspices, and there is \$400,000,000 of Government money being spent to develop the mineral resources of the West; and 20 depots, I think in 18 States, for picking up certain minerals from the little fellow have been established, and those are being expanded just as fast as it is possible to expand them.

Senator McCARRAN. Do you mind an interruption at that point?

Mr. BATT. Not at all, because you and I have discussed this, and I know you are very much interested in it.

Senator McCARRAN. What I want to say now is to impress upon you, if I can—and that is the object of this entire meeting—that if there be something in an order which you have made, which we know as the order of March 2, which is retarding further production of the war essential metals and minerals, would it not be well to eliminate that from the order, if it can do no injury by being eliminated?

Mr. BATT. Senator, I have listened to that with great interest, and if there is anything in that order that can be made clear that will bring in more of the critical materials which we need, certainly we would be the last people to urge the existence of language just because it happened to be drawn up that way.

Senator McCARRAN. I will give you my view, and my view is in a homely way the expression of others, and I believe it will be corroborated by those who listen to me. There is in that order as it is now couched in language an element which discourages the discoverer or producer of war essential minerals. If a discoverer of a mining property finds that on an analysis taken or an analysis made of his product he would produce more than 30 percent per dollar value of silver or gold or silver and gold together, he immediately says to himself, "There is no use in my going forward with this, because if I do I will have to go through a labyrinth of red tape before I can get anywhere, and I am not going any further, because the rule says that if it produces more than 30 percent in dollar value of gold or silver, my other product is lost. So far as I am concerned, I am not going to waste my time on it."

Now, that is a serious situation, and not a mythical situation. It is not like some of the rumors I have talked about here. It is a reality.

While your production may have increased, let me draw your attention to the fact that it may not be due to your Board's activities as much as it is to the increase in price and the assurance that there would be a price for the commodity which has grown out of the war; and I make the assertion, without fear of contradiction, that if you will eliminate the 30-percent penalty on gold and silver or on gold or silver, you will produce more war essential metals than you are producing now.

Mr. BATT. Now, that may be. I have listened to that with great interest, and I was certainly not intending to infer that the increase was solely from what the War Production Board has done, not at all. What it has done has been to attempt to focus the best brains over the country, in Government agencies and without Government agencies, to the end that that expansion shall be driven forward at the rate that it is being driven forward.

I looked over a list of expected production of various materials, metals, as between 1939 and 1942, and also planned and expected for 1944 and 1945.

I am not going to give the specific items. I think it might not be to the public interest. However, I should like very much for the Senators to see them at any time. Some of these items run up to 7½ times as much material expected in 1942 as was produced in 1939, and 20 times as much in 1943, 1944, and 1945. I look at two items here, and I see that 20 times as much is expected in 1944 in one and in 1945 in the other.

Senator JOHNSON of Colorado. Is that domestic production, Mr. BATT?

Mr. BATT. This is domestic production: Twenty times as much, 20½ times as much, 20.8 times as much. That is production that is expected in 1944 and 1945 as compared with 1939.

These other increases for 1942 as against 1939 run 150, 150, 180, 340, 720, 270, 507, 900, and so on. There has been tremendous development.

Senator JOHNSON of Colorado. Is that just wishful thinking, a mere hope, or is that an objective? If it is an objective, it is important.

Mr. BATT. It is a specific objective, Senator, given me by the best technical authorities. I hope it is right.

Senator JOHNSON of Colorado. I am not questioning the estimates, and that is nothing more than an estimate, of course; but is it something that you are shooting at? Is it a goal? Is it something you are trying to realize? Are you sincerely trying to get that production?

Mr. BATT. The goal we have is to get every pound of essential critical material we can in 1942, 1943, and 1944.

Senator JOHNSON of Colorado. Is that your goal? If that is, God help you, is my wish.

Mr. BATT. You asked me if that is a specific goal. We definitely can and expect that in 1944 and 1945 one of those will produce 2,180 percent of what it produced in 1939. Another will produce 2,050 percent.

Now, there has been a tremendous effort, as Congressman White knows, on the development of public roads, access roads, and the War Production Board has used every pressure at its command to increase the development of access roads, because many of these western resources can only come in through the construction of new roads.

The War Production Board has gone before the Congress. It has urged the War Department for special funds. It has taken it up with the Budget Bureau. Wherever an opportunity affords itself for us to put our pressure behind new roads, we have done it. This has been a joint effort of all the agencies of Government, and I think it is one that is going to bulk up very large when we are looking into the history of this war effort in the future.

I have to emphasize, however, that the objective of the War Production Board is the control of materials at that point where they will serve the war effort best. As this order operates, the effect of it is not to keep somebody from having something, but it is to pick out somebody and put him in a high priority position, rank him right up with the manufacturer of guns and tanks, to enable him to get these spare parts.

In that sense it may be construed to be discrimination, but actually it is an extraordinary help which will benefit him. Those people are put up above a great part of the civilian economy, as indeed they should be.

Representative ENGLEBRIGHT. Mr. Chairman, would the gentleman mind yielding right there?

This objective that you are speaking of, Mr. Batt, sounds very attractive, I am sure. Is that through Government finance or is it through the ingenuity and development of the prospectors and miners themselves?

Mr. BATT. No; these two items are entirely the result of Government financing.

Representative MURDOCK. Mr. Chairman, may I ask a question? The CHAIRMAN. Mr. Murdock.

Representative MURDOCK. It is heartening to hear the statement we have just heard. I would like to ask this question: Have your efforts been directed toward a few large companies, or are you trying to bring in a larger number of small mine operators, perhaps? We know that our West is full of minerals, much of which have been undiscovered, and if we are going to get the maximum we ought to get many small operators to find and develop these small mines into bigger mines. Gentlemen, as no representative from the State of Arizona other than myself is here, I want to take this opportunity to comment briefly and to summarize the opinion and sentiment often expressed to me by small mining men in the great mining State of Arizona. We feel sure that there is vast untouched, unlocated mineral wealth in our State. We feel that the mining industry should not be discouraged, but that it should be fostered in peacetime, and much more particularly in wartime. In Arizona, as elsewhere throughout the West, some of our greatest copper mines began as silver mines or gold mines. From that fact alone gold and silver mining should not be discouraged, even if gold and silver did not in themselves constitute sinews of war and bases of peace economics.

Ever since I have been a Member of Congress the small mine operators' associations of Arizona have urged me to call attention to our potential wealth, to interest the Government more thoroughly in its development, and to lend every possible encouragement financially and otherwise. You may think ours is but a selfish interest, but these men know the basic importance of mining in human economy. I am not here today to put in an argument or to speak for these mining men, but to put in a plea to all Government officials to give them more and better consideration.

Mr. BATT. We are trying to get the maximum we can with the minimum utilization of critical materials to bring it in. In other words, we want the most net result with the least expended in mining machinery.

There is no discrimination on our part as to the place it comes from.

We have wiped out the dollar sign in the War Production Board as a determining factor in the bringing in of raw materials. We have just one cost factor over there: What is the cost in machinery and other critical materials to bring in this product?

Senator McCARRAN. Well, the cost in machinery, Mr. Batt, to bring in a product would not be lessened by the fact that the product which you desired produced was intermingled with a precious metal.

Mr. BATT. That may be. I think that certainly would have to be weighed, and that is the purpose of this order. If I understand correctly, the basis on which the serial numbers are granted, you weigh what the mine has to contribute in the way of copper, lead, and zinc, and if what they contribute is sufficient to justify the use of the machinery they ask for and the high priority treatment to give it to them, they get it.

Senator McCARRAN. Why do you not amend that and say, "copper, lead, zinc, and silver"?

Representative ENGLEBRIGHT. And gold, Senator.

Mr. BATT. I am no authority on this. There are newspaper people here, and I am sure I would get myself in deep water. If I may make a comment or two off the record, I think it would be better.

The CHAIRMAN. This is off the record.

(There was a discussion off the record, after which the following occurred:)

Senator MILLIKIN. Mr. Chairman, I would like to ask a question.

Mr. Batt, yesterday I was exploring the factual basis for this order. The net conclusion in my own mind at the close of the day was that I had not found any part of that factual basis. I assume that the order was not arrived at arbitrarily; that it was designed to produce calculated results in the way of developing critical minerals or metals which would not be developed were it not for the order.

I asked Dr. Nelson to let me have that factual basis, and the doctor did not have it. As close as I could get to it, it resulted from a sort of informal circulation of memoranda among various men in the Board who are interested in the metal business.

I should like to ask you, is there factual datum in the form of a memorandum or in the form of a report which will show the necessity for the order? The reason I pursue that line of inquiry, Mr. Batt, is that many people in the United States have the feeling that many orders that come out of Washington are arbitrary and are not necessary. That hurts the morale of the country. It makes a man who has to close up as a result of one of those orders feel that he has been arbitrarily destroyed rather than destroyed on a true basis of war necessity.

Now, I should like to see developed at this hearing the factual basis for this order, the necessity for it, in other words, what you expected to gain. We do not want the answer that because we are in a war we have to do this. That kind of argument does not spell anything, unless you were proceeding arbitrarily, which I do not presume for a moment.

You must have set up some sort of balance sheet of what you would gain and what you would lose by these orders, and I would like very much to see that. I think the committee would, too.

Senator McCARRAN. I take it what you mean is by that one phase in that order, and that is pertaining to the 30 percent.

Senator MILLIKIN. Yes; and I would like to develop that before Mr. Batt gets away.

The question is: Is that material available? Could we see it in order to see what your judgment was operating on when you promulgated that?

Mr. BATT. I will have to turn to Dr. Nelson. I was generally familiar with the discussions that took place incident to it, but there is a great mass of problems that pass over and are discussed in the War Production Board. I do not know what factual data we have, Senator.

Mr. NELSON. I was discussing that with you at the time the meeting adjourned yesterday, and I think I could have developed it to your satisfaction had we not adjourned.

Senator MILLIKIN. Then may I go into that with you a little later?

Mr. NELSON. I will be glad to.

Senator MILLIKIN. While Mr. Batt is here, I would like to ask this question. It has developed at the hearing, Mr. Batt, that the 30 cents feature of this order of a dollar value does not mean what it says, that it is a sort of reference point, a commencing point, that starts the cogitations going in your Board to determine whether a mine shall be given a preferential priority or not. It has been developed that that part of the order which excludes a preferential priority, if you have 30 cents or more on dollar value of gold or silver, does not mean what it says.

Well, as Senator McCarran has pointed out, that is an alarming order to go out to the mining industry, not only the gold and silver end of it, but the complex-ore end of it. Now, we find out that it does not mean what it says, that each case is considered separately, and that there are no definite standards which a man may take out of an order and say, "I do come under it," or "I do not come under it."

That in itself creates great confusion in the mining industry, and I am pleading, as Senator McCarran has been pleading, "For goodness' sakes, issue an order on this thing that does not put the future of the mining industry," as I vulgarly put it yesterday, "on the state of any man's liver."

Let us set up categories which the industry may look at and say, "We come within it," or "We do not come within it," and strike out that deceptive or false—I do not mean that in an invidious sense—30 percent provision of the order, because it is admitted that it does not mean anything.

It is things of that kind that confuse an industry and destroy confidence in the administrative branches of our Government. I urge that you give that very careful consideration, Mr. Batt.

Mr. BATT. Yes; that will have very careful consideration.

I have nothing else to add. I am glad to have appeared before you.

The CHAIRMAN. Are there questions to be submitted to Mr. Batt? If not, we are very glad to have had you come before us.

(There was a discussion off the record, after which the following occurred:)

The CHAIRMAN. Without objection, we will meet on Friday morning at 10 o'clock.

(Thereupon, at 12:25 p. m., an adjournment was had until Friday, May 8, 1942, at 10 a. m.)

PREFERENCE RATINGS FOR MINING MACHINERY
AND EQUIPMENT

FRIDAY, MAY 8, 1942

UNITED STATES SENATE,
SPECIAL COMMITTEE ON SILVER,
Washington, D. C.

The special committee met at 10 a. m., pursuant to adjournment on Wednesday, May 6, 1942, in room 424 Senate Office Building, Senator Elmer Thomas of Oklahoma (chairman) presiding.

Present: Senators Thomas of Oklahoma (chairman), Johnson of Colorado, McCarran, Thomas of Idaho, Downey, and Murray; and Albert A. Grorud, secretary to the committee.

Present also: Senators Millikin and Bunker.

Present also: The following Members of the House of Representatives; Hon. Harry L. Englebright, Hon. Lawrence Lewis, Hon. William S. Hill of Colorado, Hon. J. Edgar Chenoweth, Hon. James G. Scrugham, Hon. Compton I. White, and Hon. John R. Murdock.

Present also: Gov. Ralph L. Carr of Colorado.

Present also: Mr. J. S. Knowlson, Chief, Division of Industry Operations; Dr. Wilbur A. Nelson, Administrator, Dr. Marcellus H. Stow, Deputy Administrator, and F. L. Eaton, attorney, Materials Division; and Shaw Livermore, principal industry economist, Office of Progress Reports Division, War Production Board; Mr. Julian D. Conover, secretary American Mining Congress, Washington, D. C.; Mr. A. W. Dickinson, the American Mining Congress, Washington, D. C.; Mr. Albert F. Knorp, secretary, California Chapter, American Mining Congress, 300 Montgomery Street, San Francisco, Calif.; Mr. James A. White, director, Rocky Mountain Metals Foundation, Washington, D. C.; Mr. Robert S. Palmer, secretary, Colorado Mining Association, 204 State Office Building, Denver, Colo.; Mr. George W. Malone, managing director, Industrial West Foundation, Washington, D. C., and San Francisco, Calif.; Mr. Errol MacBoyle, chairman, State Mining Board, California; Mr. J. C. Kempance, Mining Association of California, 381 Bush Street, San Francisco, Calif.; Mr. Matt Murphy, inspector of mines, State of Nevada; Mr. Charles L. Bradbury, president, New Mexico Miners and Prospectors Association, 912 Ridgewest Drive, Albuquerque, N. Mex.; Mr. R. E. Whitten, care of Owyhee Hotel, Boise, Idaho; Mr. David P. Strickler, president, Cripple Creek Development Co., Colorado Springs, Colo.; Mr. Thomas A. Copeland, Cripple Creek, Colo.; Mr. Merrill E. Shoop, Colorado Springs, Colo.; Mr. Edward D. Dickerman, Leadville, Colo., and Mr. H. M. Bretter, Washington, D. C.

The CHAIRMAN. The committee will be in order.

Dr. Nelson desires to make a supplemental statement for the record. We will hear him at this time. You may proceed, Dr. Nelson.

**STATEMENT OF WILBUR ARMISTEAD NELSON, ADMINISTRATOR,
MINING BRANCH, MATERIALS DIVISION, WAR PRODUCTION
BOARD, WASHINGTON, D. C.—Resumed.**

Mr. NELSON. Mr. Chairman, I am authorized by Mr. Batt to state, after his conferring, as I understand it, with Mr. Knowlson, that they will recommend to Mr. Donald Nelson that the 30 percent clause in order P-56 be taken out of it by amendment. At least, that will be their recommendation to Mr. Donald Nelson. The administration of the order, however, will be carried on in exactly the same way as in the past. I want to make it clear that we cannot change our method of giving priority assistance to gold and silver mines.

The CHAIRMAN. If you eliminate from the order any statement that might have a psychological influence of being a deterrent to the continued operation of these mines, I am sure that will be helpful. As I understood you on a former occasion, you said that each case stood on its own foundation.

Mr. NELSON. Yes.

The CHAIRMAN. Then, there is really no occasion for any kind of order, if they understand that. But I am not telling you what to do; I am just speaking from my viewpoint. I think it will be helpful.

Senator McCARRAN. If I may at this time do so with propriety, Mr. Chairman, I should like to express my sincere appreciation and gratitude for the announcement made by Dr. Nelson. I feel that with that clause eliminated, much of the apprehension that has, in my judgment, acted psychologically as, if I may say so, a wet blanket on mining activity will have been eliminated.

I can also see where there is ample reason for Dr. Nelson's further statement—that is, that the rule will be administered as it has been in the past—but I am confident that with that clause eliminated, mining will take an upward trend; and with the policy that has been carried out as regards precious metals, under the statements made by Dr. Nelson from time to time, if that policy is still continued, I have great hope that mines of precious metals—that is, that predominate in precious metals—will be permitted to go on as each case is presented. I take it that they will deal with the individual case in each instance.

I want to say again that I am grateful for the broad view that has been taken by the authorities on this subject.

Now, that is all that you had to say, Doctor?

Mr. NELSON. Yes, sir.

Senator McCARRAN. Thank you very much. With that in mind, I think that much that would have been presented to this committee may be eliminated, and we may save a lot of time here.

I am going to ask a general question, with your permission, Mr. Chairman.

The CHAIRMAN. Very well.

Senator McCARRAN. Is Mr. Conover here?

Mr. CONOVER. I am right here.

The CHAIRMAN. Mr. Knowlson is present, Senator McCarran, if you want to question him.

Senator McCARRAN. I would just like to have Mr. Knowlson listen in.

Did you hear the statement made by Dr. Nelson, Mr. Conover?

Mr. CONOVER. I did not hear all of it. Mr. White has advised me of the gist of it.

Senator McCARRAN. Did you hear the statement that I just made?

Mr. CONOVER. No, sir; I have just come in.

Senator McCARRAN. Did it impress you that I have about correctly expressed what would happen to the mining industry by reason of the action of eliminating the 30 percent clause?

Mr. CONOVER. I am sorry I did not hear what you said, Senator.

Senator McCARRAN. I made the statement that, in my judgment, it would eliminate much of the confusion and remove much of the psychological depression, so to speak, that has prevailed with reference to mining in the West, by having that clause eliminated. Do you agree with that?

Mr. CONOVER. I think that is a very fair statement, Senator. I think we should certainly remove all the uncertainties that we can. The mining industry has enough hazards and uncertainties, as it is, and if we can remove any of the additional difficulties that beset it here in Washington, that should certainly be done.

Senator McCARRAN. Will you come forward, please, Mr. Conover?

Mr. CONOVER. Yes.

Senator McCARRAN. Do you have a statement that you wish to make?

Mr. CONOVER. I have a few remarks that I would be glad to present.

Senator McCARRAN. Do you wish to discuss them?

Mr. CONOVER. Yes; if you please.

The CHAIRMAN. Governor Carr, did you have a question you wished to ask?

Governor CARR. Is there to be something substituted for the 30-percent clause that is to be removed, or what is to be the procedure in place of the quantity under the 30 percent?

Mr. NELSON. A mine having a serial number will participate in the benefits of this order, and a mine that does not have a serial number will not participate in the benefits of the order. As I stated, we shall administer the order according to the same general principles we have used in the past as affects gold and silver mines; that gold and silver mines not producing material necessary to the war effort would operate without the priority benefits of this order.

Governor CARR. Will you bear with me for just one moment, Mr. Chairman?

The CHAIRMAN. Proceed, Governor.

Governor CARR. You say that mines having priorities will benefit. Do you mean by that mines which had priorities before the order of March 2?

Mr. NELSON. I mean those that have serial numbers at the present time.

Governor CARR. Only those which have been, to use the term, reinstated since the March 2 order will benefit?

Mr. NELSON. And those who had their orders and did not have them taken away. We will still review each case on its merits as it is presented to us.

Governor CARR. There were 64 in Colorado which received the notices that they had lost their priority ratings, as I understand it. I do not know how many have been reinstated. Do those which have

not been reinstated have the right to come to you and ask for priority ratings?

Mr. NELSON. They have the right to present their case, but—
Governor CARR. But that does not mean that they will benefit under this attitude now?

Mr. NELSON. Not until their number is reinstated.

Governor CARR. It does not give them a right to a priority rating?

Mr. NELSON. That is correct.

Senator McCARRAN. Let me follow along that line of inquiry for just one or two questions.

Nothing pertaining to this change will militate against them in any way if they have a meritorious case to present?

Mr. NELSON. It they enter into our war picture.

The CHAIRMAN. What have they to do now to enter into the war picture?

Mr. NELSON. The same thing they were doing before, Senator; that is, producing needed amounts of essential or strategic material.

The CHAIRMAN. Then, as I understand it, this statement of yours with respect to the face of the order, does not in any way materially affect the procedure that will be followed in the future?

Mr. NELSON. It does not affect it in any way.

The CHAIRMAN. Except in relieving mines from discrimination in the event that such mines produce more than 30 percent of gold and silver?

Mr. NELSON. That is a correct statement.

The CHAIRMAN. Now, Mr. Conover, you may make your statement for the record.

STATEMENT OF JULIAN D. CONOVER, MINING ENGINEER SECRETARY OF AMERICAN MINING CONGRESS

The CHAIRMAN. Mr. Conover, please state your name and position for the record.

Mr. CONOVER. My name is Julian D. Conover. I am a mining engineer and am secretary of the American Mining Congress.

At the outset, I should like to express the appreciation of mining people generally throughout the country and of manufacturers of mining machinery to Dr. Nelson for his fairness and his consistent efforts to help the industry.

Dr. Nelson, we know, has been working very long hours, very arduously, and under very difficult conditions for a good many months in a very sincere effort to keep our mines going, and we do appreciate very much his efforts. We feel that we are fortunate to have a man like Dr. Nelson as the head of the Mining Branch of the War Production Board.

With reference to this March 2 amendment to order P-56, it has just been brought out in the discussion of the last 5 minutes here that there are really two principal problems involved.

The first one relates to the mines producing copper, lead, zinc, or other critical materials, including fluxing ores for the smelters, which are fortunate enough to have small quantities of gold and silver present in their ores, which simply help to meet the pay roll and of course do not detract in any way from the production of the base metals. The 30 percent clause was quite a jar to these mines, and

it caused a lot of confusion, not to say consternation. I think that that confusion has been or will be largely eliminated by the explanations which have since been made. The restoration of their serial numbers and the action announced by Dr. Nelson this morning will do a great deal to clarify the situation, and to make clear just what was the intent of the order. Those mines whose serial numbers have been restored and others which may secure serial numbers will be able to go ahead just as they did previously, with the anticipation that they will continue to receive these high priority ratings.

I believe that is correct, is it not, Dr. Nelson?

Mr. NELSON. Yes.

Mr. CONOVER. That is the first aspect of the situation. As I have said, we feel it is very important that this order should be made just as clear as possible, because we know that the men who are actually mining out in the hills are not priority experts. They have enough uncertainties and hazards in the mining business anyhow, and if we in Washington can in any way remove some of these additional difficulties, it is very much to the benefit of the men who are trying to produce these materials that are needed for the war program.

Senator McCARRAN. It is my feeling, from my conversation and contact with the miners of the West, that they are anxious and willing to cooperate in any way for the success of this country in the war effort. All that they want is the opportunity to cooperate. Do you agree with that?

Mr. CONOVER. I agree with that, Senator. I think that there is no more patriotic group of men than the miners of the West.

The second aspect of this order is not touched in the removal of the 30-percent clause, and that is the situation of the straight gold and silver mines which are not producing copper, lead, zinc, or other so-called strategic metals and are not producing fluxing ores for the smelters. They still do not receive these high priority ratings, but are dependent on order P-100 with its A-10 rating; to get a higher rating on any item, they must apply to Washington on form PD-1A.

Our feeling with respect to these mines is that they have always been and always will be an extremely important part of the economy of our country. Their product is the basis of our currency, the basis of our world trade and foreign exchange, and we are going to need their continued production in the future as we have in the past.

Senator McCARRAN. May I interpose right there? I hope that I correctly interpret Dr. Nelson's statement. If I do not, I hope that I will be corrected while you gentlemen are here.

As I understand the attitude of Dr. Nelson and those with him, it is not their intention to entirely eliminate the operation of mines producing only straight gold or straight silver but, rather, to put them in a deferred position as regards their having a priority order for mining equipment or mining essentials.

Is that a fair interpretation of your attitude, Dr. Nelson?

Mr. NELSON. I think so, Senator. I might say that there are two problems involved—two material problems involved—that I think have not been definitely separated in the minds of all of us. One is the material produced by the mine when it is essential for our war effort. The other is the material consumed by the makers of mining machinery, which is critical material and limited in amount and, therefore, should be used, first, only in a mine producing strategic and crit-

ical minerals essential for our war effort. If after the needs of the Army, the Navy, and those mines are met there is anything left, naturally we would not want to prohibit its use by gold and silver mines. I doubt if that will be the case.

Senator DOWNEY. I do not quite understand that last remark.

Mr. NELSON. I doubt that things will be so critical that your gold and silver mines will not get a limited amount of material, but I cannot make a positive statement to that effect.

Senator DOWNEY. You are speaking now of those mines that are exclusively gold and silver mines?

Mr. NELSON. I am, yes.

Representative ENGLEBRIGHT. Mr. Chairman—

The CHAIRMAN. Congressman Englebright.

Representative ENGLEBRIGHT. Doctor, with the cooperation of the gold miners and the silver miners with reference to the pooling of equipment and material that may be necessary for replacements, under the present situation do you anticipate that it will be necessary to deprive the gold mines or silver mines that have over 30 percent gold or silver of necessary repair parts and equipment so as to continue their operations?

Mr. NELSON. That can only be answered from month to month and week to week. At the present time I certainly feel that they should be able to get a limited number of repair parts and material.

Representative ENGLEBRIGHT. That is, with their cooperation?

Mr. NELSON. With their cooperation. But each individual case will have to be handled through Washington.

Senator McCARRAN. I should like to make a statement off the record, Mr. Chairman.

The CHAIRMAN. This will be off the record.

(Senator McCarran then made a statement which, by direction of the chairman, was not recorded. The following then occurred:)

Senator McCARRAN. All right, Mr. Conover.

Mr. CONOVER. Speaking of the position of these straight gold and silver mines, I wish to record the fact that these mines are generally in isolated localities and are generally the sole means of support of the communities in which they are located. A very large number of substantial communities with an important part of the population of our Western States is dependent upon them. Not only the mine workers and their families but also the tradesmen and farmers in nearby areas, the railroads, and the local, county, and State governments and school systems are largely or completely dependent upon their continued operation. They mean a great deal to the economy of our Western States.

In previous depressions, the gold and silver mining areas have been the "white spots" on the business map. Gold and silver mining communities have been those areas which showed up with the highest levels of employment, pay rolls, and business activity when most of the rest of the country was in the dumps. We feel that the time will come when they will again occupy that position, and that they will be of the highest value to our Nation in the readjustment period that we are bound to go through when this war is over.

We are glad to have the assurance of Dr. Nelson that all possible efforts will be made to keep these mines going. We feel that we should certainly make every effort to preserve them as sources of

employment and the creation of new wealth. I wish to make a very sincere and earnest plea that the War Production Board continue to give just as much consideration to the needs of these mines as can possibly be given consistent with our supreme objective today, namely, winning this war at the earliest possible date.

I do want to point out—and other witnesses can bring it out in more detail—the fact that the quantities of material required to keep these mines in operation are extremely small; also, that they are responding very patriotically. They realize that they must make the best possible use of materials that are available to them. They are patching up old equipment, they are pooling their stocks of repair parts and critical materials, and they are providing that there shall be a minimum drain on steel and all the other materials which are critical to the war.

Senator McCARRAN. In that respect, Mr. Conover, I am wondering if you would join in the expression that I tried in a homely way to make the other day in the presence of the gentlemen who have this matter in hand.

We have here a situation, as you have heard related, where certain amounts of mining machinery and mining equipment are being exported from the country. The thought I tried to express the other day, and which I hope you might dwell on for a moment, was that if the exportation of mining equipment and mining essentials was placed in the hands of this War Production Board, having this whole industry in hand, there would not be transported out of this country mining equipment and mining machinery to the irreparable loss of our own home production.

I wondered if you cared to dwell on that, as to your recommendation that the matter of exportation of mining machinery and mining equipment be handed over to this Board for administration.

Mr. CONOVER. So far as I can see the situation, Senator, that would be a very constructive step. We have confidence in those in the War Production Board who are handling this problem. We would like to see their arm strengthened to handle the problem in the best possible manner for all interests concerned. We think it would make for coordination and tend to prevent overlapping or conflict in the method of handling this extremely important supply of mining machinery and equipment.

Senator MILLIKIN. Mr. Conover, has the Mining Congress made any studies on the relation of gold and silver to the fiscal systems of other countries after the war?

Mr. CONOVER. That situation is changing so rapidly, Senator, that I am afraid we are not in a position to produce any studies at this session which would be of any real help.

Senator MILLIKIN. Might I ask whether it is your personal judgment that after the war we will have the job, in addition to furnishing food, clothing, and any other items of reconstruction for foreign countries, of furnishing gold and silver as the basis for their fiscal systems in a world that will have to be reorganized along sound economic lines? I am asking really for your personal opinion.

Mr. CONOVER. We feel that hard money is the only sound basis of a currency and that naturally there will have to be some means worked out, whereby, for value received, the stocks of precious metals may

be suitably distributed among the other nations as a basis for their currency systems.

Senator MILLIKIN. If that be true, it then follows, of course, that these, let us call them, large supplies of silver and gold that we have stored in this country will find their way out of the country in the same way that our surplus food will find its way out of the country. Then, if that be true, that which may appear as excessive from some monetary viewpoints at the present time will disappear very rapidly. The gold and silver that we might accumulate during the war period would serve a very useful function not only for our own domestic fiscal system but in aid of a stabilized world economy. Would you say that that follows?

Mr. CONOVER. I think that is a fair statement, Senator. We have never been impressed with statements that there was too much gold or too much silver in the world.

Senator MILLIKIN. I took a careful hedge on that to accommodate varying views on that point; but no matter how you look at it, it seems to me that the accumulated gold and silver stores, whether or not we consider them excessive at the present time, will perform a very essential function in the reconstruction of the world after the war and that, therefore, it is a sound policy to continue to produce gold and silver during the war.

Mr. CONOVER. I think I would agree with that, Senator.

We realize that there are a great many industries in our country that are suffering today and necessarily must suffer from shortages of material because there is not enough to go around. We do wish to point out for the record, however, that gold and silver mines are different in this respect from a manufacturing plant. Many of our gold mines are very deep. They require constant pumping in order to keep the water out and constant retimbering to keep the workings open. If they are closed and fill with water and the workings cave in, it may be impossible ever to reopen them.

In many cases the reserves of ore are not large. They are ample to justify continued operations, and additional reserves are being developed as mining goes on. But if they were now to shut down, the amount of ore actually proved or which could be depended upon, in many cases, would not be sufficient to justify the very great expense of reopening. Hence, we feel that we should exert every effort to keep these mines operating at this time and not lose a source of wealth to this country in the years to come.

Might I emphasize also the desirability of providing prompt delivery of repair parts which may be required in emergency cases, and without which the mines might be flooded or operations seriously disrupted. We have discussed this with Dr. Nelson, and hope that means will be worked out to secure the quickest possible action on priority applications in such cases.

I know that Dr. Nelson and his associates understand these situations, but I wish to record these views in the hope that what we say here may lend some strength to their arm and perhaps be of some help to them in the efforts which we feel confident they are going to make to try to keep our mines going.

I want to add that we in the Mining Congress are glad to help this committee and to help the officials of the War Production Board in any way we can. We do feel that these matters mean a great deal

not only to the mining industry but to our country, both now and in the future.

Senator MILLIKIN. Has the congress made any estimate as to the actual quantity of critical materials that are normally consumed in gold and silver mines?

Mr. CONOVER. I would refer you for that, Senator Millikin, to some of the witnesses who are present from various mining districts. Those who are here from the California and Cripple Creek areas, for example, have made very careful estimates of their requirements.

They are, as I have said, very small in amount, and the mines are doing all they can to get along by patching up and welding old equipment, and making things go as far as possible. The consumption is a very, very small quantity of steel and other critical materials.

Senator MCCARRAN. Mr. Chairman, at this point I desire to offer for the record a very comprehensive statement put out by the California Chapter of the American Mining Congress, of date May 1, 1942. To my mind, it goes into many of the things that we would not care to hold these committee hearings for, but it is so comprehensively and so logically stated that I think it is worth while to have it go into the record, and I ask permission to have it inserted in the record.

The CHAIRMAN. Without objection it may be included in the record. (Booklet entitled "California Gold Mining Industry" is as follows:)

CALIFORNIA GOLD MINING INDUSTRY—FACTS JUSTIFYING PRIORITIES

Submitted by California Chapter, American Mining Congress, May 1, 1942

CALIFORNIA CHAPTER,
THE AMERICAN MINING CONGRESS,
San Francisco, Calif., May 1, 1942.

TO THE PRIORITIES DIVISION OF THE UNITED STATES WAR PRODUCTION BOARD:

In accordance with resolutions adopted at a meeting held in Sacramento, Calif., on Friday, March 27, 1942, by over 200 representatives of the gold mining industry in California, the California Chapter of the American Mining Congress was authorized and instructed to compile and present to your honorable Board a statement of the position and needs of the California gold mines for minimum priority allocations of necessary mining supplies, together with such arguments as exist for consideration of these needs by your Board in the light of the present national war emergency.

In accordance with this authorization, the following brief of facts and arguments is respectfully submitted—not with the request or anticipation that your Board accord to the members of this industry any undue priority in the matter of materials where a great national emergency is involved, but with the idea that it will assist your Board in determining meritorious cases for the allocation of these materials which must be set aside for civilian consumption if our domestic economy is to survive. We hope to convince you that, although your recent priority orders indicate that the production of gold is not considered as an essential industry to the war, nevertheless the maintenance and the preservation of the gold mining industry in California from utter destruction, by the award of necessary priorities for a minimum operation, is necessary to the national welfare and to the domestic economy of a large area of this State. We expect to further show that these minimum priorities can be awarded without any substantial drain being made on the national stocks of strategic materials.

With these points in mind, the brief is respectfully submitted for your consideration and reference in determining your minimum allocations to this industry.

CALIFORNIA CHAPTER OF THE AMERICAN MINING CONGRESS,
By WORTHEN BRADLEY, President.
By ALBERT F. KNORF, Secretary.

APPLICATION OF THE CALIFORNIA GOLD MINING INDUSTRY FOR LIBERALIZATION OF PRIORITY ALLOCATIONS TO GOLD MINES AND SUMMARY OF THE FACTS SUPPORTING THE APPLICATION

In behalf of the gold mines and dredger operators of California, the California Chapter of the American Mining Congress respectfully submits its application for such modification of revised order P-56, as will permit of the allocation to these gold mines and dredgers of the minimum quantities of strategic metals and materials essential to the maintenance of existing operations on the various properties involved, and in support of this application sets forth the following facts:

(1) APPLICANT AND ITS AUTHORITY

The applicant is an unincorporated organization of the gold-mining and dredging operators in California, and represents through its membership all of the gold dredging operations and practically all of the gold-mining operations in the State. It was authorized by resolution of these operators to present this application. A copy of this resolution is attached hereto and marked "Exhibit A."

(2) REASON FOR APPLICATION

Revised order P-56 of the Priorities Division revoked all general priority numbers heretofore accorded to the gold-mining industry, and it has already become apparent to the members of this industry that unless some consideration be given by the Priorities Division to its minimum needs, all of its members will have to close down operations for lack of essential materials within a relatively short period of time, with disastrous consequences to be hereafter noted. The applicant feels that a fair and reasonably accurate presentation of the facts to the Division may justify an improvement in this situation which will save an important industry from practical destruction.

(3) HISTORY AND IMPORTANCE OF THE GOLD MINING AND DREDGING INDUSTRY IN CALIFORNIA

Without any desire to elaborate upon the background of the industry represented by applicant, it is respectfully pointed out to the Division that gold mining is the pioneer industry of California, and is the industry upon which this State's earliest development was founded. Over the years since 1850 the industry has added to the national gold stocks over \$2,212,800,000 (figures from Minerals Yearbook, U. S. Bureau of Mines). It furnished a financial and industrial basis for the development of west-coast civilization in the United States. It made vitally necessary contributions to the Union Treasury during the Civil War. It has supported the domestic economy of some 19 counties of this State, and constitutes the major, if not the sole, basis for economic support of these areas. Attached hereto as exhibit B is a map of California correctly showing in colors (exhibit B not printed but on file with committee), with the exception of the counties in district 3, district 5, and district 6, the areas in which gold mining and dredging constitute the sole or major economic support. As to the excepted counties, gold mining and dredging is a very important factor in their domestic economy, but perhaps not the major one.

In support of this statement there is submitted as exhibit C hereto, a compilation based on answers to questionnaires sent out to the mine operators and series of certificates from the county officials of these various counties, showing the names of mines, men employed, pay rolls, and State, county, and Federal taxes paid by gold-mine operators in the several districts. The total pay rolls of different mines give an idea of the importance of the business brought by these mines to local merchants, farmers, and residents. The tax payments show their contribution to the cost of government—Federal, State, and local. From this data it may readily be ascertained that a destruction of gold mining would be economically as effective as a hostile bombing raid in these mountain counties.

There is also submitted a compilation (exhibit D) showing the latest available figures of gold production in California (1940), subtotaled by counties and districts. While the 1941 figures are not yet published, it is our information and belief that they will not vary substantially from those shown on exhibit D.

(4) NATIONAL IMPORTANCE OF THE INDUSTRY

The production of gold in California during the past few years has approximated \$50,000,000 worth of gold bullion each year. All of this bullion has been added to the Treasury supply and under existing currency laws furnishes a metal backing

for about \$100,000,000 in currency each year. Attached hereto as exhibit E is a compilation of statistics (taken from records of the State Industrial Accident Commission and State Division of Mines) showing the employment of men in gold mining. During the past depression the gold mines of California furnished steady employment to over 10,000 men and kept them and their families off relief rolls. During the present emergency these mines have sent thousands of trained miners into the defense industries, aiding in the construction of underground storage facilities in Hawaii and elsewhere and in the construction of military fortifications in this country. Due to the higher wages paid in war industries the labor turn-over has in the past year been very rapid, and is becoming increasingly rapid. But this is all to the national benefit. The mines are constantly accepting a supply of untrained labor and are training and developing this type of labor into skilled miners whose services will be needed by the Nation in its war efforts. All of this has been done without in any way impeding the military draft or naval recruiting program. The industry is obviously not one in which industrial deferment for military service has been granted or should be granted. Some of the younger miners trained in the gold mining industry also later transferred to employment in mines engaged in the development of strategic minerals and are of use to their country in that respect. Were it not for the training they received in their home mining neighborhoods, it is probable that they would not voluntarily migrate to other mining communities where even greater need for their services may exist. The gold-mining industry contributes an important increment to the national tax roll, both in the form of income taxes and excise taxes.

We understand that representations have already been made to your honorable Division by representatives of the smelter industry that the operation of a sufficient number of gold mines to furnish siliceous concentrates as a flux for the smelting of various strategic metals, is an absolute necessity to the continuance of their smelting operations. Practically all of the gold mines of California extract and mill siliceous ores. Their continuance in operation will enable an adequate quantity of siliceous concentrates to be regularly delivered to the smelters at Selby, Calif., and Tacoma, Wash.

(5) PROBLEM OF THE OLDER WORKERS

In the older mining districts of California like Alleghany, Grass Valley, and Jackson, a decidedly human problem is involved in keeping the older men—those of nonmilitary age—employed in their home communities. These men have been miners for so long that they are not suited to other types of employment. They own their own homes in these little mining communities, and they and their fathers before them have resided there since pioneer days. They are not the type of labor which normally migrate to new fields or more highly paid industries. It would create a decided hardship for these men if they were thrown out of employment and forced to move to other communities. Their homes would be unsalable, and they would suffer a financial loss, heavy for them. Furthermore, their presence in these communities is of importance as a defense reserve for combatting various fires in the adjacent national forests, and for the maintenance of local defense organizations. If the mines close down the communities will disintegrate because they have no other source of support, and a large area of California would be left without men of the type that are badly needed for local defense organizations. It will be seen that these workers are in a different class from those referred to in paragraph 4 of this brief.

(6) NECESSITY FOR CONTINUANCE OF THE MINING INDUSTRY TO AVOID DESTRUCTION

It is of course possible that some of the smaller and shallower properties now being operated in California might be closed down, allowed to fill with water (which is uniformly the result of closure), and after the war be pumped out and reopened. This is not the case, however, with the more important units of the industry. Attached hereto as exhibit F is a table showing the depth of the more important lode mines in California. In each of these deep mines many miles of underground workings exist. For example, in the Empire-North Star group of interconnected mines at Grass Valley, having a maximum depth of 10,600 feet on the incline, there are over 500 miles of underground workings. A shut-down of these properties permitting the workings to fill with water and to cave in through lack of repair would result in irreparable damage to the properties, and undoubtedly their total permanent abandonment. An example supporting this conclusion may be noted

in the case of the Utica mine at Angola Camp, which was closed for war reasons about the time of the last World War, was permitted to fill with water, and has never since been operated, although it is believed still to contain valuable and minable ore. The community in which it is located has never recovered from the blow, in population, in business, or in industry.

In further support of this conclusion, we attach to exhibit F copy of a letter received from Dean D. H. McLaughlin of the University of California College of Mines.

On the other hand, the allocation of priorities for a minimum amount of material necessary to keep these mines in operation would avoid this type of irremediable disaster. It is economically nonfeasible and in some cases physically impossible to reopen these old properties which have been worked for more than half a century when once they are allowed to close and fill with water. The same statement may be made with respect to practically every mine listed in exhibit F, and they constitute the largest producers of the State, employing the greatest number of men.

(7) NECESSITY FOR CONTINUANCE OF DREDGER OPERATIONS

The gold dredgers of California, as shown by exhibit D, have produced almost half of the gold output of the State, and have given continuous employment to 1,800 men (exhibit E). Even more than the mines, the dredging industry depends upon machinery for its operation, and it is a type of machinery which deteriorates very rapidly if operations are long suspended. The great floating dredgers, the dragline equipment, and the chains of buckets must be maintained and kept in operation partly because they are situated entirely in the open, subject to all of the effects of the elements, and if left idle will rapidly rust, silt up, and become practically unusable; also the placer ground in which they work often has to be stripped well in advance of actual operations, and unless these operations are permitted to follow the stripping which has already been done, the effect of this work would be lost through erosion and the operators would have to do it all over again. The great hulls into which the dredgers are built also require the maintenance of ponds to keep them afloat, and if through shut-downs these ponds dry up and the hulls are exposed to the air, the effect would be much the same as leaving the hull of a wooden ship exposed to the air for a long period of time. The dredgers do not use as much labor in proportion to the work done as the lode mines because of this use of machinery, and their continued operation can be permitted without any noticeable interference with labor supply for defense purposes.

(8) THE MAXIMUM UTILIZATION OF AVAILABLE SUPPLIES

The gold mining industry of California is in the fullest accord with the program of the Division of Priorities for the utmost utilization of available supplies of strategic materials and scrap before drawing upon any portion of the national stock of these materials for operating purposes. We desire to outline to the Division the steps which have been taken to carry this program into effect. The State of California has been divided into six districts, as indicated on the map, exhibit B (on file with the committee). Districts Nos. 1, 3, and 5 contain practically all the dredging and placer operations in the State; districts Nos. 2, 4, and 6, the lode operations. In each of these districts there is an organization through which the operators can cooperate locally. Each operator has taken a careful inventory of his supplies and materials, and of scrap on hand, and has exchanged the information shown therefor with the other operators in his district.

Due to the great distances between the northern and southern parts of California it is not practicable for the operators in the State to cooperate as a whole in the exchange of facilities, but within each of the districts mentioned a serious attempt is being made to trade, exchange, or make available to any operator who needs an item of material or equipment which another operator can spare, so as to provide for the utilization of every item which is not presently in use or not required for the immediate future. Cooperative efforts are made also toward repairing broken equipment. An operator who has a machine shop will cooperate in repairing equipment for one who does not. Surplus mill capacity is being made available for handling the ores of operators who do not have mills, thus avoiding the necessity of any new construction. Scrap piles are being overhauled, and after segregating material which will be needed in the immediate future for working over into needed parts, the maximum possible disposal of this scrap to the national defense pile is being made. Both formal and informal meetings of the operators in each district take place at which ideas can be exchanged, and the principle carried out that if the gold mining industry expects any serious consideration

from the Priorities Division, its own house must be at all times set in order. It must be in a position to convince the local representative of the Priorities Division that waste is being eliminated; that maximum economies in the utilization of materials on hand is being made, and that only minimum requirements to keep properties operating and in minimum safe repair condition are being asked for. In short, the California gold mining industry believes that the maximum utilization of what it has is just as important a factor in its preservation as the allowance of any priorities for deficiencies which the industry cannot supply.

(9) CURRENT UTILIZATION OF STRATEGIC MATERIALS

On the basis of questionnaires supplied and answered by individual operators over the signatures of their responsible officials, and from conservative estimates made as to the requirements of one or two operators who failed for some reason or other to answer these questionnaires, we are able to present to the Priorities Division a composite picture of the current monthly utilization of strategic materials in the industry as a whole, in each of the various districts, and by the lode mines as distinguished from the placer and dredging operations. We have also compiled separately the current requirements for these materials in each of a number of mines which we have characterized as "deep mines." These figures are attached to this memorandum as exhibit G (on file with the Committee, but not printed). The totals of these figures do not present a very heavy demand on the stocks of critical materials of the country. Furthermore, we ask the Division to remember that these totals will be reduced by all of the savings, economies, and exchanges which the industry is able to make. They represent an average monthly utilization. It is the intent of the industry through cooperative efforts in the various districts to so arrange the purchase of needed new materials or equipment that is spread out and averaged, as much as possible, thus avoiding peaks in demand. Each operating manager is required to ask himself before placing an order: "Do we really need this, or can we get along with what we have? Can I repair the equipment which it is suggested we replace? Can I use over again any of the supplies which we have heretofore been consuming? How will my demand for these items fit in with the total demand from my district this month?"

Only after answering these questions and ascertaining the immediate indispensability of the items sought to be purchased will an order be placed.

(10) OUR REQUEST TO THE DIVISION OF PRIORITIES

Based on the foregoing factors and assumptions, the gold-mining industry of California urgently requests the Division of Priorities to place it on the list of industries which are entitled to exist; to take into account the minimum amounts of materials necessary for the maintenance of that existence in determining the allocations as between war industries, military and naval needs, and civilian requirements; to consider requests for priorities on orders for these strategic materials as having been made only after the exhaustion of all local sources and means of avoiding the request for priority; to give these requests prompt and sympathetic consideration; and to make an award consistent with the premise that, even in wartime, and notwithstanding the general national shortage of materials, there are some civilian industries that the national interest requires to be kept alive, and that the gold mines are in that category. We particularly ask this consideration for requests from those members of the industry who are operating what may be termed the "deep mines," which must be kept operating in order to avoid flooding, caving, and permanent irreparable damage, as well as for minimum requirements of the dredging industry which will prevent irreparable loss and deterioration to valuable equipment.

We feel that our request is not a selfish one, that it does take into account the interests of the nation as a whole and that in the interest of preserving a substantial portion of the national territory from irreparable loss, in the interest of preserving the local economies of a large section of the State of California from unnecessary destruction, with consequent injury to both public and private credit, and in the interests of giving a fair deal and fair consideration to the welfare of the thousands of citizens engaged in the gold-mining industry in California, our request should be granted.

Respectfully submitted,

CALIFORNIA CHAPTER OF THE AMERICAN MINING CONGRESS,
By WORTHEN BRADLEY, *President*.
By ALBERT F. KNORT, *Secretary*.

Dated: May 1, 1942.

EXHIBIT A

RESOLUTION ADOPTED AT A MEETING OF CALIFORNIA GOLD MINE OPERATORS HELD AT SACRAMENTO, CALIF., ON FRIDAY, MARCH 27, 1942

WHEREAS it has been brought to the attention of the responsible operators of the California gold mining industry through the issuance of war priority order P-100 that the priorities heretofore accorded the industry under order No. P-56 have been revoked and that the purchase of all allocated materials which are essential to the operation and maintenance of our mines can be made only on A-10 priorities or by special application under Form PD-1-A; and

WHEREAS the rapidly accruing shortage of these materials indicates that it shortly will be impossible to acquire any of them under an A-10 priority, and inability to acquire minimum requirements of such materials and will inevitably result in the closing down of all gold mines and dredging operations in California; and

WHEREAS it is the unanimous opinion of the industry representatives gathered here that such a closing of the gold mines would be an unnecessary and irreparable injury to the State and Nation for the following, among other reasons:

1. Many of the mines are very deep and must be operated in order to prevent caving and filling of workings with water, rendering it virtually impossible to ever work them again.

2. These mines constitute the sole or major domestic economy in 19 out of the 58 counties in this State, supplying the pay rolls, paying the taxes, and buying materials which enable these communities to exist. Their destruction will cause untold private economic injury and will be destructive to local public credit.

3. The gold produced from these mines is an important contribution to public wealth and furnishes the basis for large increments of State and Federal taxes.

4. Destruction of these mines by priority deprivation and the resulting loss and unemployment will be a severe blow to public morale at a time when the National Government is seeking to foster courage and industry on the part of the public and will tend to destroy public confidence in gold as an essential element of our monetary system, and

WHEREAS the operators here present and the communities from which they come are more than anxious to support the national war effort in every respect and at any sacrifice necessary therefor, but believe that the minimum amounts of strategic materials necessary to keep their mines open and running, without extension of existing operations, is so small that with the conservation measures hereinafter resolved upon, the same could be allocated to the industry without noticeable effect on the country's war needs: Now, therefore, be it

Resolved: First. We are unalterably opposed to the destruction of the gold mines of California due to entire withdrawal of priorities necessary to give them minimum supplies of strategic materials which are required for present operations and to any Government policy which would enforce such priority withdrawals.

Second. We pledge ourselves to form community units, pooling supplies of salvagable materials, repairing every possible item of equipment, cooperating in the use of machines and endeavoring in every way to work with the local representative of the War Priority Administrator;

Third. We request the associations and operators here present to cooperate in the compilation of facts showing the soundness of the position we have here taken and the justification for definite allocations of priority materials to our mines and dredges so as to make continuation of existing operations possible and to insure preservation of these mines; and further through appropriate representatives to be selected by the associations present at this meeting, to present these facts and the merits of our proposal without delay to proper Federal officials for action thereon.

Fourth. We recommend that the cost of presenting such a case to the Government be imposed upon the entire gold-mining industry through appropriate action to that end to be taken by said several associations present after conference between their respective executives.

EXHIBIT C

LODE MINES

Name of property	Location, county	Depth (feet)	Number of men employed	Estimated total pay roll	County taxes paid in 1941
Empire	Nevada	8,000	546	\$1,035,859.37	\$18,739.72
North Star	do	10,650	274		
Zeibright	do	1,759	25	45,000.00	2,111.00
Brown's Valley	Yuba	1,300	65	168,000.00	842.00
Idaho-Maryland	Nevada	4,600	500	1,293,006.00	40,468.13
New Brunswick	do	4,500	400		
Golden Center	do	2,000	150	292,500.00	3,685.80
Spanish	do	1,000	30	51,000.00	353.91
Spring Hill	do	1,200	20	34,000.00	783.91
Original Sixteen to One	Sierra	3,000	100	196,329.66	8,324.06
Oriental	do	1,000	6	10,500.00	1,048.27
Plumbago	do	1,320	15	24,955.30	1,400.00
Ruby	do	850	25	42,485.00	1,152.45
Sierra Buttes	do	1,125	20	33,943.65	
Argument	Amador	6,400	240	388,000.00	8,038.00
Kennedy	do	5,900	97	174,871.87	5,650.00
Old Eureka	do	3,750	200	350,000.00	6,782.44
Keystone	do	1,600	95	165,415.39	1,892.92
Belma	do	500	20	32,592.18	102.87
Carson Hill	Calaveras	3,500	190	359,564.53	4,786.84
Le Roi	do	1,600	20	33,493.75	1,021.65
Jumbo	do	1,060	40	80,260.00	1,655.30
Royal	do	1,850	18	30,485.80	1,147.80
Sheep Ranch	do	3,250	150	262,498.45	2,754.60
Beislapp-Sweeney	Tuolumne	2,500	30	55,116.20	1,000.00
Eagle Summit	do	2,200	58	103,557.00	960.00
Lobias	do	1,600	20	33,500.00	246.65
Pine Tree and Josephine	Mariposa	2,500	62	118,500.00	3,371.64
Mount Guinea	do	1,200	54	85,352.08	1,020.68
Malvina	do	1,000	18	30,512.00	1,380.21
Alabama-Shumway	El Dorado	500	10	16,500.00	202.02
Alabama-California	Placer	1,100	135	222,750.00	533.07
Oro Fino	do	1,350	40	62,732.24	700.00
Rawhide	do	600	16	26,320.50	1,305.65
Cherokee	Plumas	850	150	71,948.51	1,296.00
Virginia	do	800	40	62,086.65	1,652.40
Standard	do	725	50	78,322.00	1,850.00
Iron Mountain	Shasta	(?)	50	85,147.00	4,195.97
Mentsuma	do	800	20	35,100.00	217.80
Quartz Hill	do	350	10	17,498.65	391.00
Oro Grande	do	675	7	11,901.00	129.95
Golden Queen	Kern	1,100	165	366,400.00	9,627.00
Kern Mines	do	1,250	50	94,737.78	887.10
Cactus Mines	do	1,100	100	199,674.43	2,151.38
Governor	do	650	50	73,253.17	1,075.00
Monsiech Ranch	do	700	12	18,000.00	280.00
Gold Crown	do	600	35	51,896.00	1,750.00
Standard	do	1,000	10	14,900.00	285.00
Kelly	San Bernardino	800	22	24,394.65	1,560.00
Bagdad-Chase	do	1,200	20	39,865.40	1,750.00
Old Gold	Inyo	500	16	27,952.00	1,552.00
Margaret	do	650	15	26,250.00	1,275.00

PLACERS

Name of property	Location, county	Type
Arata-Van Sandt	Amador	Dredge (bucket line).
Arroyo Seco	do	Dragline.
Arroyo Seco Ranch	do	do.
Buena Vista	do	Dredge (bucket line).
Butte Operating Co	Butte	Dragline.
Butte Unit	do	Dredge (bucket line).
Farnham Ranch	do	Dragline.
Feather River	do	do.
Glinella Ranch	do	do.
Kistler	do	do.
Letimber	do	do.
Peters Ranch	do	do.
Pionbo	do	do.
Placer Development Co	do	do.

¹ Figures not available, estimate only.

² Operations suspended at date of this brief.

³ Surface.

Estimated total (including figures shown and estimate of missing figures).

EXHIBIT C—Continued
PLACERS—Continued

Name of property	Location, county	Type
William Richter & Sons	Butte	Dragline
Weymans Ravine	do	Do
Wm. Kister	do	Dredge (bucket line)
Genochio	Calaveras	Dragline
R. & M.	do	Do
San Andres	do	Do
Stagan	do	Do
Stockton Gregory	do	Do
Stockton Reservoir	do	Do
Wolhall	do	Do
Arroyo	El Dorado	Do
Carson Creek	do	Do
Dunlap Ranch	do	Do
El Dorado	do	Do
Frank Klipp	do	Do
Lemroh	do	Do
Operation No. 2	do	Do
Baker	Mariposa	Do
Chase Ranch	do	Do
P. H. Bottoms	Merced	Do
Merced Dredge No. 1	do	Dredge (bucket line)
Merced Unit	do	Do
Robinson Bros	do	Dragline
San Joaquin Dredge No. 1	do	Dredge (bucket line)
Snellins	do	Do
Champion Flat	Nevada	Dragline
Coleburn	do	Do
Scotts Flat Creek	do	Do
Wyandotte	do	Do
El Oro	Placer	Do
Gladding Ranch	do	Do
Guilford Ranch	do	Do
Innis	do	Do
Midland	do	Do
Recalp	do	Do
Innis	Plumas	Do
Capital	Sacramento	Dredge (bucket line)
Consummes	do	Do
Fassett-Parker Hanlon	do	Dragline
General Dredge No. 1	do	Do
Hoosier Gulch	do	Do
Martin Quinn Estate	do	Do
McQueen & Downing	do	Do
Natomas	do	Dredge (bucket line)
Vineyard	do	Dragline
California	San Joaquin	Dredge (bucket line)
Lucas & Putnam	do	Do
McGurk	do	Dragline
Watkins	do	Do
Champion Gulch	Shasta	Do
China Gulch	do	Do
Clear Creek	do	Do
Cow Creek	do	Do
Daly Gulch	do	Do
French Gulch	do	Dredge (bucket line)
Happy Valley	do	Dragline
Lost Channel	do	Do
Pioneer	do	Do
Happy Camp	do	Do
Humbag Creek	do	Do
Kangaroo	do	Do
Klamath River	do	Do
Larsen & Harms	do	Do
Sacchi-Spellenberg	do	Do
Siskiyou Unit	do	Dredge (bucket line)
Yreka	do	Do
C. & E.	Stanislaus	Dragline
California	do	Dredge (bucket line)
La Grange	do	Do
Placer Properties	do	Dragline
Tribell & Sophy	do	Do
Tuolumne	do	Dredge (bucket line)
B. H. K.	Trinity	Do
Carrville	do	Dredge (bucket line)
Hayfork	do	Dragline
Junction City	do	Dredge (bucket line)
Lincoln	do	Dragline
Weaver	do	Do
Weaverville	do	Do

² Operations suspended at date of this brief.

EXHIBIT C—Continued
PLACERS—Continued

Name of property	Location, county	Type
Chinese Camp Unit	Tuolumne	Dragline
Jacks	do	Do
Kent	do	Do
McCormick Ranch	do	Do
Big Ravine	Yuba	Do
Far West	do	Do
Princess Pine	do	Do
Sumnar	do	Do
Yuba Unit	do	Dredge (bucket line)

EXHIBIT D

1940 California gold production by counties and districts¹

	County total	District total	Type of mining
District 1:			
Siskiyou	2,068,815	5,478,105	Practically all placers.
Shasta	1,679,135		
Trinity	1,730,155		
District 2:			
Plumas	1,302,070	15,038,380	Practically all lode mines.
Sierra	958,685		
Nevada	10,964,415		
Placer	1,813,210		
District 3:			
Butte	2,543,835	6,439,710	Practically all dredgers.
Yuba	3,895,875		
District 4:			
El Dorado	1,341,585	10,217,445	Practically all lode mines.
Amador	4,122,180		
Calaveras	3,036,390		
Tuolumne	767,620		
Mariposa	949,690		
District 5:			
Sacramento	5,538,295	8,960,455	Practically all dredgers.
San Joaquin	327,175		
Stanislaus	1,276,240		
Merced	1,816,745		
District 6:			
Kern	2,887,285	3,818,220	Practically all lode mines.
Inyo	415,555		
San Bernardino	515,410		
Miscellaneous, outside above districts		996,171	
State total		50,948,486	

¹ Figures from Bulletin 123, California Division of Mines.

Of this total \$26,275,265 comes from the lode mines and \$24,673,220 comes from placers and dredgers.

EXHIBIT E

Employment in California gold mines

[Includes only persons employed by operators and excludes prospectors, snipers, leasers, and independent workers]

Calendar year:	Number of men employed ¹	Calendar year—Con.	Number of men employed ¹
1930	4,411	1936	12,499
1931	4,760	1937	12,871
1932	5,104	1938	12,147
1933	7,333	1939	10,000
1934	9,443	1940	9,200
1935	13,710	1941	8,800

¹ Figures from State division of mines.

² Figures not available—estimated.

EXHIBIT F

Deep gold mines of California

Name of mine	Location	Depth of incline
Argonaut ¹	Jackson	6,700 feet, all incline shafts.
Kennedy	do.	6,900 feet, vertical shaft 4,800 feet in depth and 1,400 feet incline.
Central Eureka	do.	4,000 feet, all incline.
Empire	Grass Valley	8,000 feet, all incline.
North Star	do.	10,650 feet, vertical shaft 4,200 feet in depth, balance incline.
Original Sixteen to One mine	Allegany	3,000 feet, all incline.
New Brunswick	Grass Valley	4,500 feet, vertical and incline.
Idaho-Maryland	do.	4,600 feet, all incline.
Lava Cap	Nevada City	1,500 feet.
Golden Center ¹	Grass Valley	2,000 feet.

¹ Operations suspended at date of this brief.

NOTE.—Above data obtained from Carl Johnson, mine inspector for the Industrial Accident Commission of California.

EXHIBIT G

UNIVERSITY OF CALIFORNIA,
DEPARTMENT OF MINING AND METALLURGY,
Berkeley, Calif., April 17, 1942.

Mr. A. F. KNORP,
Secretary, California Chapter American Mining Congress,
San Francisco, Calif.

DEAR MR. KNORP: In balancing the gains and losses that might be expected from restricting the supplies of critical materials required to keep the gold mines of California in operation, the damage and in some cases the complete loss that would result from shut-down should not be overlooked.

Under ordinary conditions, the majority of the mines now active on the Mother Lode and in the northern districts could reasonably anticipate a fairly long life, with steady benefits to the many communities dependent on them, even though the profits to the owners might not be large. A prolonged shut-down, however, would practically end the industry, for only a few of the larger companies could stand the expense of dewatering flooded workings and reopening caved ground.

The region undoubtedly contains large tonnages of ore that are still to be recovered, but very few of the mines have more than nominal reserves that are definitely blocked out, and the profits that could be positively estimated from them would hardly be enough in most cases to justify the heavy expense of reopening a mine once the pumps had been pulled.

On the Mother Lode in particular, where many of the mines are deep and where the ground is notoriously heavy, it is unlikely that the industry could ever recover from such a shut-down, and this probable result should surely be kept in mind when decisions with regard to priorities for the gold mines are made.

Yours very truly,

DONALD H. McLAUGHLIN,
Dean, College of Mining.

Senator McCARRAN. Mr. Knorp, if you care to be heard, we will hear you.

Mr. KNORP. I shall speak briefly, Senator.

STATEMENT OF ALBERT KNORP, SECRETARY, CALIFORNIA CHAPTER, AMERICAN MINING CONGRESS, SAN FRANCISCO, CALIF.

Senator McCARRAN. Please state your name, your residence, and your official position, if any, Mr. Knorp.

Mr. KNORP. My name is Albert Knorp. I am secretary of the California Chapter of the American Mining Congress. My office is in San Francisco.

I do not want to take up any more of your time than is absolutely necessary. I can only reiterate to a great degree that which has been

said before me, particularly as to the fairness we have found on the part of Dr. Nelson. There is one thought, however, that I should like to leave with you, and we are not begging this thought with the idea of placing gold mining in the strategic-metals class.

The figures that I have received on a not too independent survey in California indicate that there are over 600,000 new arrivals in California since the last census was taken.

The CHAIRMAN. Do you mean since 1940?

Mr. KNORP. I mean since 1940. My understanding of that figure is that those people have been attracted there because of the defense jobs. Our airplane factories, our shipyards, and our other facilities that are devoted to defense work have been tremendously expanded. That presents the possibilities of a terrible relief situation when this defense buying is over.

I mention that because during the last depression the mining camps in California were what were known as the white spots of America. Their production was up high. Therefore, they present to this Nation only perhaps a small percentage, but, Doctor, these percentages mount to absorb the unemployment that is inevitable. It would be a rather substantial percentage in California.

I do not think we should overlook the possibilities that the gold mines present to this Nation when the boys are knocked from the defense pay rolls. Of course, we all realize that as soon as the war is over, they will be shot off them rather abruptly. Unfortunately, California's climate keeps most of the people in the State, even after a boom is over. I have been told by some of the chamber of commerce boys—I do not know how true it is—that of 100 newcomers to California, only about 15 leave the State during a depression. That may be due to our weather; I do not know.

One other thought, touching on the matter that Senator Millikin brought out.

I think it should be stressed a little bit more thoroughly. That is, that while gold does not go into tanks or ships or planes today, nevertheless, when this war is over gold and silver, I think, will be the strategic metals of the world. Certainly it would be futile to win the war from a military angle only to lose it at the peace table. I believe that that happened after the last war.

Gold and silver can be used to rehabilitate many of the stricken nations of the world, and the \$50,000,000 that California is annually producing in gold would go a long way toward helping, let us say, Greece back onto her feet. I make this statement without asking that we be classified as manufacturers of tanks. We realize that we are not a defense industry, strictly speaking, but we believe that we come very close to being a defense industry if people will only project their views beyond the present day, which I think we should do.

Those are the only thoughts I have to offer, in addition to what have already been offered by others. Our brief has been filed.

Representative WHITE. Your reasoning is governed by the fact that history shows that every war has been prosecuted with what they called a war chest. Napoleon, Bismarck, and all the others who fought really successfully accumulated vast amounts of treasure, precious metals, and money metals.

Mr. KNORP. Yes, I believe that even the man in deep, dark Africa understands gold, though he would not understand paper money.

Representative WHITE. We read in the papers this morning that the French have now voted to send \$1,000,000,000 from Martinique to Venezuela.

Mr. KNORP. Yes; and I am mindful also of the fact that despite Hitler's statements that he does not need gold, wherever he occupied a country the first thing he did was to get the gold out of it.

I might further state that I believe that President Roosevelt's judgment in accumulating a gold supply was a very far-sighted policy that none of us appreciated at the time, because I feel that he has given us now the sinews of peace. The gold that we hold in Fort Knox is going to be very valuable to us as soon as the war is over—not only that gold but all the gold we can produce.

Representative WHITE. I have heard it said that the gold in the Western States was what saved the credit of the American Nation and made possible the winning of the Civil War.

Mr. KNORP. I think that is an established fact.

The CHAIRMAN. I think it might be well, in view of the suggestion just made, to place in the record at this time the amount of gold which the United States has.

According to the Daily Statement of the United States Treasury of date May 2, 1942, we have gold to the value of \$22,690,513,844.19.

I might state also in this connection that on the same date we had silver certificates outstanding in the total sum of \$1,967,998,210.

Without objection I will ask that the detailed statement put out by the Treasury on the bulletin just referred to be placed in the record at this point.

(The Treasury statement referred to is as follows:)

OFFICE OF THE SECRETARY OF THE TREASURY

DAILY STATEMENT OF THE UNITED STATES TREASURY

Compiled from latest proved reports from Treasury offices and depositories,
May 2, 1942

CURRENT ASSETS AND LIABILITIES

GOLD

ASSETS		LIABILITIES	
Gold (ex. 645,300,395.5).....		Gold certificates:	
\$22,690,513,844.19		Outstanding (outside of Treasury).....	
		\$2,875,405,818.00	
		Gold certificate fund—Board of Governors, Federal Reserve System.....	
		17,678,967,613.74	
		Redemption fund—Federal Reserve notes.....	
		14,870,002.96	
		Gold reserve.....	
		156,030,430.96	
		NOTE.—Reserve against \$346,681,016 of United States notes and \$1,158,522 of Treasury notes of 1890 outstanding. Treasury notes of 1890 are also secured by silver dollars in the Treasury.	
		Exchange stabilization fund.....	
		1,800,000,000.00	
		22,525,284,106.66	
		Gold in general fund:	
		Balance of increment resulting from reduction in the weight of the gold dollar.....	
		\$143,425,358.24	
		In working balance.....	
		21,805,319.89	
		165,230,677.63	
Total.....		Total.....	
22,690,513,844.19		22,690,513,844.19	

CURRENT ASSETS AND LIABILITIES—Continued

SILVER

ASSETS		LIABILITIES	
Silver (ex. 1,157,775,993.0).....		Silver certificates outstanding.....	
\$1,426,922,406.03		\$1,967,998,210.00	
Silver dollars (ex. 372,581,026.0).....		Treasury notes of 1890 outstanding.....	
481,730,920.00		1,158,522.00	
		Silver in general fund.....	
		6,485,684.03	
Total.....		Total.....	
1,978,643,416.03		1,978,643,416.03	

Mr. ENGLEBRIGHT. Senator; does that give the amount of earmarked gold we may also have and also the amount of earmarked silver?

The CHAIRMAN. The statement, appearing in detail in the record, will show.

Senator MURRAY. Mr. Chairman—

The CHAIRMAN. Senator Murray.

Senator MURRAY. Doctor, if you find it necessary to restrict radically these scarce materials or machinery to the silver mines, that would affect largely only the small operators, would it not?

Mr. NELSON. I cannot say. It might affect a large operator sooner than it would a small operator.

Senator MURRAY. For instance, in some States, like in my State of Montana, the larger operators that produce silver and gold are the big corporations, like the Anaconda Copper Co., which, I suppose, produces 90 percent of the silver that is produced in the entire State.

Would not the effect of your regulations be to destroy the small independent operators and leave the big corporations in complete control of the field?

Mr. NELSON. Senator, I like to look at the mining picture from the positive and not the negative side. It is not that we are destroying things; we are helping everyone in the mining industry.

If it had not been for this first mining order, which came out on September 22, and the revisions of that order made at certain stated intervals after that, which raised in each case the priority ratings granted to mines, many mines in the United States would have probably shut down long ago. I mean mines of every type. We are just giving varying degrees of priority to mines, depending upon how important they are to the war effort. The small gold or silver mine can operate, we feel, under P-100 and by the use of P-D-1A when they need a particular repair part or particular item, if they will just anticipate their needs and not attempt to do business as usual.

Now, many of these small mines have never even requested a serial number under P-56 but have been operating under the basis I have mentioned.

Senator MURRAY. You have found no difficulty, then?

Mr. NELSON. Of course, occasionally there may be some difficulty, because a small mine may wish something that is so critical it will not be easy to furnish it to them.

Senator MURRAY. Well, so far you have not found it necessary to cause the shut-down of any small operator?

Mr. NELSON. As I stated in a meeting earlier this week, we have had no information to show that any mine in the United States has shut down due to any priority action that has been taken by the mining branch.

Senator MURRAY. You do not anticipate that conditions will de-

velop that will make it necessary for you to adopt any radical policy with reference to supplying materials to those smaller companies?

Mr. NELSON. We will not adopt any radical policy at any time, but if we do not have enough material to go around, we may be unable to ship any mines, that do not enter into the war effort, critical repair parts that they may need. I cannot say what the condition of critical materials will be month by month.

Senator MURRAY. At the present time you do not anticipate that there is going to be such a serious shortage as to make it necessary for you to adopt any stringent regulations now?

Mr. NELSON. We do not need to adopt those regulations at the present moment, Senator, but I am sorry that I cannot see into the future. I wish I could.

Senator MURRAY. If, for instance, as in my State, the great production of these minerals comes from the large corporations, it would not be a very large amount of material or machinery that would be necessary to operate the smaller concerns, would it?

Mr. NELSON. That is true, Senator, but, as I have been told by so many people in the W. P. B., and as I likewise have told many people, if you save 1 percent here or a fraction of 1 percent here and do that in a hundred different industries, you have saved enough to put over the war effort; while if you dissipate those fractions of 1 percent of critical materials in a hundred industries, you may affect our war effort very adversely.

Senator MILLIKIN. Might I put reverse English on that? If you destroy the gold camp, the silver camp, the tire man, the radio man, the ice-box man, and the filling-station man 1 percent at a time, pretty soon this economy that must keep this war effort going has been destroyed.

Mr. NELSON. Those people working on the over-all war effort, I think, know the picture more thoroughly than anyone else, and I am willing to follow their leadership.

Senator MURRAY. I do not think they know it quite as well as those who are being put out of business and destroyed completely. I think they have a more vivid understanding of what is happening than some of these people who are providing regulations.

Mr. NELSON. They may have a vivid understanding of their own problem; I will admit that—and it is a very serious problem to each individual.

Senator MILLIKIN. Senator Murray's committee, under his distinguished leadership, has developed many facts which go to show that there is not entirely the infallibility that Dr. Nelson suggests about many parts of our war direction.

The CHAIRMAN. Senator Murray, have you finished?

Senator MURRAY. I have finished.

The CHAIRMAN. Mr. Conover, have you finished?

Mr. CONOVER. That is all I have to say.

The CHAIRMAN. We thank you for your statement.

Senator McCARRAN. Mr. Palmer, will you come forward, please?

STATEMENT OF ROBERT S. PALMER, SECRETARY, COLORADO MINING ASSOCIATION, AND SECRETARY, STATE MINERAL RESOURCES BOARD, DENVER, COLO.

Senator McCARRAN. Please state your name and official position, Mr. Palmer.

Mr. PALMER. My name is Robert S. Palmer.

The CHAIRMAN. What is your address?

Mr. PALMER. My address is Denver, Colo.

The CHAIRMAN. What is your present position and business?

Mr. PALMER. My present position is secretary of the Colorado Mining Association, and secretary of the State Mineral Resources Board; and also I am attempting to assist Dr. Nelson in Colorado as State Emergency Coordinator of Mines.

First, I should like to explain, so that it will be a matter of record, that our position throughout this alleged controversy has been one of the utmost cooperation. The mining people of our State are very anxious to cooperate with Dr. Nelson and the War Production Board and to assist in every possible way in bringing about a complete understanding of the problems of our industry, and I wish to assure the Senate committee that we are just as anxious to win the war and do everything that we possibly can to win the war as any other group of people.

Colorado, of course, is a mining State. It is primarily known for its gold and silver. Since the beginning of our Commonwealth we have produced \$1,843,294,915 in gold, silver, copper, lead, and zinc. The dollar value of the gold and silver was \$1,382,552,191. But the important point that we wish to bring out is that without the gold and silver content of our ores we could not have produced \$1,843,000,000-plus worth of copper, lead, and zinc.

The CHAIRMAN. At this point it would be interesting for the record to show the relative production of gold, silver, and other metals with relation to former times. I mean by that, Is the production of gold and silver increasing constantly; is it stationary; or is it decreasing? In other words, are your mines playing out, with no prospect of new ones being found?

Mr. PALMER. The mining people of our State are curtailing production of gold and silver at the present time and are increasing production of copper, lead, and zinc. In many of the districts there is no evidence of a playing out of ore bodies; in some, of course, the reverse is true.

Just before coming to this hearing, we made a study of the priorities situation. These are figures which we compiled just before I left Denver.

Senator McCARRAN. Mr. Chairman, right here may I interrupt? I think that an additional statement in answer to the chairman's inquiry would not be out of place here.

I think it will be conceded that the mines that produce straight silver, for instance, are not as prevalent and are not as much in existence today as they were in times past. Today silver—and I dwell on silver first—is to the largest extent produced as a byproduct of certain nonprecious metals and minerals, as, for instance, copper, lead, zinc, and so forth. The mine that was in the class of the Comstock Lode, for instance, which was practically straight silver, exists

in only one instance today, of which I have any knowledge, within the United States. That is the Sunshine Mine, of Idaho. That comes nearest to being a second Comstock or Virginia City. As to the Virginia City mines, whether or not they are played out, which is always a moot question, suffice it to say that they have been worked so that conditions now exist which make the mining of silver non-profitable because of a vast volume of hot water that had to be handled in the lower levels of the Comstock Lode.

I think that the production of silver—dealing, now, with silver alone—is much less today, coming as straight silver, than it was in times past. That is a partial answer to your question.

Then, again, I cannot permit the statement of my good friend, Mr. Palmer, to go by without comparisons, which are also very interesting, in keeping with the chairman's question, and that is the amount of precious metal produced by the State of Colorado.

Let it be noted that while Colorado was producing a billion and a half dollars in precious and nonprecious metals, the State of Nevada took out of just one small hole in the ground a billion dollars, and at a very important time in the history of this country.

Representative ENGLEBRIGHT. I may add, Senator, if you will permit, that the State of California, prior to the time you took that out of the hole, produced another billion dollars.

Senator MURRAY. Mr. Chairman, while we are on this subject, I want to say that we have produced two billion dollars out of the Butte Hill, which is the richest camp on earth.

Mr. NELSON. Mr. Chairman, might I also inject a remark? Before the California gold rush, the gold center of the United States was in Virginia and North Carolina, and Thomas Jefferson described one of the first gold nuggets ever found in the United States.

The CHAIRMAN. All of which leads me to wonder what would have happened to a number of these States had it not been for gold and silver.

Mr. PALMER. Mr. Chairman, I think it is quite evident that when there was a rumor that our mining industry, which is the basic industry of our western section, was being threatened by an ill advised order, published without proper consideration of the mining industry, it was only natural that not only those directly interested in mining, but people generally, were very much disturbed, and still are. The reassurance of Dr. Nelson in rescinding the 30 percent clause will have a far reaching effect on future mining activities in our State.

Our study shows two classifications under the priorities system in Colorado, namely metal mines and coal mines. There were 242 different concerns requesting preference rating numbers. Of these, 135 received them; 107 were either turned down or, at least, have not been given numbers, for reasons unknown to the applicants. There were 66 companies notified that their serial numbers had been withdrawn as of March 2. Of these, 28 have been reinstated, and 38 companies have not been reinstated. Of the total number under this classification, 67 have not been withdrawn. These consist largely of tungsten, molybdenum, and vanadium mines and the nonmetals.

Including all of the varied types of mines, there are only 95 operating with serial numbers in Colorado.

A study of the coal mines show that 156 separate operators requested serial numbers. Eighty-three were given ratings, and 73 have not

received favorable action on their applications. It is interesting to note that none of the coal mines have had their serial numbers rescinded.

A comparative study of metal production with the metal needs of the industry was presented to Dr. Nelson at the Denver hearing. It was shown that 70,134,000 pounds of lead, zinc, and copper were produced in Colorado in conjunction with gold and silver, and that all these mines required only 350 tons of manganese steel, 250 tons of carbon-treated steel, 1,400 tons of mild steel, and 500 tons of alloy steel, or a total of 2,500 tons.

Senator McCARRAN. As against what production?

Mr. PALMER. Seventy million-plus pounds. Mr. Dickerman, statistician for the State mineral resources board, has made a study of the needs of the industry. The results give a clear picture of 79 percent of the production of the State. I desire to offer this statement for the perusal of the committee. It shows how small our needs are, but how important our production is to the welfare of Colorado.

The CHAIRMAN. Do you wish to have it placed in the record?

Mr. PALMER. Yes.

The CHAIRMAN. Without objection it is so ordered.

(Paper entitled "Priorities Information" is as follows:)

Priorities information

Material	Estimated consumption	Estimated salvage	Net consumption
Drill steel.....	tons 607.19	230.29	376.90
Steel plates.....	do 791.75	307.15	484.60
Ball mill liners.....	do 368.85	106.25	262.60
Balls.....	do 1,044.88	3.00	1,041.88
Rails.....	do 609.45	64.95	544.50
Chrome moly.....	do 121.13	29.47	91.66
Abrasive res. (screen plates).....	do 26	8.25	17.75
1 1/2-inch wire rope.....	feet 7,000		
1/2- and 3/4-inch wire rope.....	do 9,500	4,000	12,500
Babbitt.....	pounds 7,169	753	6,416
Brass.....	do 3,893	957	3,196
Bronze welding rod.....	do 6,825	50	6,779
Solder.....	do 2,101	0	2,101
Mercury, 3,845.4 (flasks).....	do 49.3	0	49.3
Sodium carbonate.....	do 58,630	0	58,630
Acetylene.....	cubic feet 708,517	0	708,517
Oxygen.....	do 2,485,930	0	2,485,930
Hot-rolled bars.....	tons 141.87	27.42	114.45
Pipe (carbon).....	do 303.20	25.30	277.90
Wire rods (alloy).....	do 16.85	25	10.00
Air hose.....	pounds 28,139	4,715	23,424
1 1/2-inch 4-ply rubber hose.....	do 4,456	140	4,316
Cyanide.....	do 397,115	0	397,115
Xanthate (copper sulfate).....	do 222,382	0	222,382
Hydrochloric acid.....	do 292,313	0	292,313
Sulfuric acid.....	do 4,235,225	0	4,235,225
Nitric acid.....	do 16,407	0	16,407
Borax.....	do 13,850	0	13,850
Soda bicarbonate.....	do 770,155	0	770,155

Mr. PALMER. Some mention has been made by the Senator from Montana of the small mines. Our situation in Colorado is largely a question of small operators and small mines. The individual production of strategic metals from each individual mine perhaps is small and may not be given proper recognition by some of the war agencies, but the sum total of the production of all of these little mines is a very vital part of our production of metals.

We have in Colorado the leasing system as well as the other systems.

If a man decides to develop a particular property, having been assured by the Price Administration that he is to be given a premium on lead, zinc, and copper, on a marginal operation, he usually takes the property on a lease. Under the terms and conditions of the lease, he is required to work a certain number of shifts per month. Now, many of these operators find themselves in this predicament. If they don't work the shifts they lose their holdings. How can they work without tools. This is true in the strictly gold-mining areas as well as in the complex ore areas of the State. They have everything that they own invested in these mines. If they don't live up to the terms and conditions set out in the leases, they will lose not only the leases but also such property as has been affixed to the mines.

These people have their homes in these mining communities. Many of the men who have called at my office tell me that their sons are in the armed forces. In some instances they are actually working in the mines although their age is such that they should not be engaged in active mining operations; but they are taking the places of their sons in order to keep the mines working. They are buying their percentage of War Bonds, they are helping to carry the tax load of our State, and they have no desire to go on relief.

These men tell me that they cannot work in high-speed industries. They would be of no value whatever to the war effort, for example, in an arms plant. They know their districts, because they have gained their livelihood in those districts. They know the formations of those districts, and they know how to mine those districts.

It may seem a simple matter to try to transfer these people to other mining areas. But we might ask the question: Where? An exact study of our situation would indicate that that is not possible. These men have asked me in all sincerity to offer the plea here to the Senate committee and to the members of the War Production Board to help them stay in the districts in which they gain their livelihood and allow them to continue in their operations and permit them to help the war effort, if in no other way than by the purchase of War Bonds.

As to cooperation in the use of steel and other equipment, I wish to call your attention to the original P-56 order. Section G, which provides for restrictions on inventory, as follows:

No operator shall accept deliveries (whether or not rated pursuant to this order) of operating supplies or other material which will increase such operator's inventory of such operating supplies or other material to an amount greater than the minimum necessary for the efficient operation of his business, and the ratio of inventory to current production shall in no event exceed the ratio of average inventory to average production for the years 1938, 1939, and 1940.

The mining men with whom I have come in contact in our section have told me that when they received this order, they did their utmost to cooperate; and after all, it is our feeling that the operator of a mine, when he gives you his cooperation, can save more than any arbitrary ruling which may or may not be made here in Washington. If you have the whole-hearted cooperation of the superintendent of the mine, the foremen, and the workmen, you are going to save all the equipment possible. They are not going to use any more supplies in the operation of the mine than is absolutely necessary.

I have made mention of the small operators. These men are not wealthy men; they are generally poor men. They are mining marginal ore. They are not able to maintain large inventories. Many of the larger operators tell me that they can comply with the inventory

program of the War Production Board; but the small operators, who go to the local merchants to buy particular pieces of equipment which may be necessary to keep their operation going, are not able to maintain an inventory even over a 3-month period.

As far as allocating materials to a particular camp is concerned, I want to point out that one company in our State, in the Cripple Creek area, has done a marvelous job in helping these smaller operators by keeping a small stock available for their use prior to the priorities system.

So, we want this clearly understood; that the mining industry wants to do everything that it possibly can to cooperate with you men in the War Production Board and to assist you. We are indeed grateful to Dr. Nelson and the others who have seen fit to modify this order, which has done so much harm to our section of the country.

I will gladly answer any questions.

The CHAIRMAN. Are there any questions from any member of the committee or others interested? If not, we certainly thank you, Mr. Plamer, for your statement.

Senator McCARRAN. Thank you, Mr. Palmer.

Mr. PALMER. May I introduce, Senator, the statement which was made at the Denver hearing, as showing some additional facts?

The CHAIRMAN. That is, as a part of your statement?

Mr. PALMER. As a part of my statement.

The CHAIRMAN. Without objection, it may be received.

(The statement referred to is as follows:)

COLORADO A GOLD AND SILVER STATE

Colorado is well known as a gold and silver State. In total value gold was the leading metal produced in Colorado from 1858 to the present, but in annual value it was surpassed by silver from 1874 to 1896.

MINING IS ONE OF COLORADO'S MOST IMPORTANT BASIC INDUSTRIES

Mining is one of Colorado's most important basic industries. Mineral-producing activities are carried on in 47 counties. The recent order issued by the War Production Board would, in our opinion, affect mining activities in 42 of these counties. Numerous taxes are paid by those operating these mining concerns, including real property taxes, production taxes, corporation taxes, income taxes, sales and service taxes, social security taxes, workmen's compensation costs, etc. As an illustration of our situation in Colorado, one county has not a single acre of agricultural land in the county. Farm products are bought locally, and the closing of the mines not only affects the miners themselves and their numerous dependents but all of those who supply the mines with materials used in them as well as the supplies necessary for the men who run the mines. The far-reaching effect on the counties, the State, and the Nation can only be referred to here.

ORES COMPLEX

The large majority of Colorado mines produce gold, silver, copper, lead, and zinc from complex ores in which all or a part of the five metals mentioned are present. From 1859 through 1941 the dollar value of Colorado's production of gold, silver, copper, lead, and zinc was \$1,831,304,935. The total value of the gold and silver production was \$1,382,552,191. Subtracting the second figure from the first, we have \$448,752,744 as the total figure for the production of copper, lead, and zinc in Colorado. These figures show us that 75.2 percent in value of gold and silver and 24.8 percent in value of copper, lead, and zinc were produced. These figures are introduced here only to show us that if we take into account the total production of our State from 1859 to the present we can readily see that none of the production could have possibly taken place had the present priority classification existed.

1940 FIGURES

Taking the 1940 production figures in value for all gold, silver, copper, lead, and zinc producers in Colorado we find the following: Total gold and silver production in 1940 was \$19,782,153. In the same year the total copper, lead, and zinc production was \$4,531,512, the total of the two being \$24,313,665. The percent value of gold and silver was 81.4 percent and the percent value of copper, lead, and zinc was 18.6 percent. Thus we see that the production during 1940 is far in excess of the 30 percent set out in the order. We know from experience in Colorado that when the gold and silver production is up, copper, lead, and zinc production is up, taking into consideration all economic factors.

PROCEDURE

Two points should be made clear before we proceed any further with the presentation of the facts and reasons why we believe you are justified in extending the provisions of Preference Rating Order P-56, amended March 2, 1942, to the metal mines of Colorado.

First. The mining people of Colorado are as patriotic as any group of citizens in the United States. As evidence of this fact miners from Colorado were among the first listed in the notices of casualties in the Far East. We have oversubscribed our allotments for Defense bonds; we have curtailed the use of materials vital to the national defense and made substitutions where practicable; we have replenished steel plants with our scrap metal and have kept inventories at a bare minimum for continued operation; we are endeavoring now to increase the production of the metals which are vital to our national security, and have pledged our cooperation in every other way consistent with sound policy at our recent convention in Denver on January 24.

Second. We are not criticizing Dr. Wilbur Nelson, Administrator of the Mining Branch, Materials Division of the War Production Board, for we feel that he is capable, efficient, conscientious, and courteous. We fully appreciate the problems which are confronting the Mining Branch for we have visited the offices of the Branch in Washington and know all too well of the crowded conditions under which Dr. Nelson and his assistants are working, and of the confusion which of necessity must exist with the assumption of such a tremendous task as handling the requirements of the mining industry. With a new staff the difficulties are doubly apparent. We only wish that Dr. Nelson had more authority and more facilities, as well as a larger staff with which to work. We feel that with the clarification of the facts here presented, and the portrayal of the exact conditions which exist in the mining industry in Colorado, based on past relations with Dr. Nelson and others in this governmental agency, the proper corrections will be made; and that instead of placing obstacles in the way of progress and increased production the War Production Board will see its way clear to assist the industry produce those metals for victory which the mining industry of Colorado can produce.

RELEASE OF EMERGENCY MANAGEMENT ON PREMIUM PRICES

On February 1, 1942, the Office for Emergency Management released information explaining that on that date premium prices of 17 cents for copper, 11 cents for zinc, and 9 1/4 cents for lead would be paid to producers of these metals in excess of 1941 production for a period of 2 1/2 years, ending July 31, 1944, with the provision that should the emergency end before July 31, 1944, the Metals Reserve Company reserves the right to terminate this arrangement on equitable terms to be announced at a later date. While it is true that as far as we are informed none of our producers have yet received this premium for metals produced in this State, we desire to call your attention to the first paragraph of this release which we take to be the announced policy of William L. Batt, Director of Materials Division of the War Production Board, and Leon Henderson, Administrator of the Office of Price Administration:

"The expansion of the armament program following the entry of the United States into the war has made it imperative that unusual steps be taken to increase further the output of copper, lead, and zinc because of their prime importance in the production of armaments."

In the first paragraph of Preference Rating Order P-56, as amended to March 2, 1942, we find in section 952.1, the following: "For the purpose of facilitating the acquisition of material for continued and expanded operation of mining enterprises in the public interest and to promote the national defense, preference rating orders are hereby assigned to deliveries of such material upon the terms hereinafter set forth."

The third governmental agency to announce publicly the policy of the United States Government was the Secretary of the Interior, Harold L. Ickes, who stated over a national broadcast: "The Interior Department is for a greater use of mineral resources of the Nation than has yet been made." The policy then as announced by our Government is quite clear that the mining men of Colorado and of the West are called upon to increase the production of copper, lead, and zinc.

WAR PRODUCTION BOARD RULINGS

Under Preference Rating Order P-56, under which we have recently been operating up until March 2, we find the following definition of a mining enterprise:

"(a) (2) (i) Any plant actually engaged in the extraction by surface, open-pit, or underground methods, or in the beneficiation, concentration, or preparation for shipment of the products of mining activity, but not including that form of mining known as gold placer mining."

Under Preference Rating Order P-56, as amended on March 2, 1942, we find in addition to the former definition of a mine the following exclusion: "Any plant more than 30 percent of the production of which in dollar value consists of gold and/or silver."

We feel that discussion here on preference ratings should be restricted primarily to the reasons why this peculiar yardstick was used in granting serial numbers or rights to obtain materials with which to mine. Preference Rating Order P-100 was issued on December 18, 1941, and is a blanket order under which the mining industry can qualify but in numerous instances has been unable to get materials and supplies for repair and maintenance.

While we realize that discussion of PD-1-a forms will creep into this hearing, we point out that this order was made optional last February 2 and was required after March 1. We were, therefore, operating until the recent order largely under Preference Rating Order P-56 as amended December 2, 1941, and were trying our best to produce the metals which our Government has announced it needs to win this war.

We are at a loss to understand why in the order of March 2, 1942, we were excluded simply because the values of our ore in dollar value is in excess of 30 percent and that we are restricted from using this particular order unless we go through the procedure which you have described at this hearing. You have sent to all of those companies who formerly had serial numbers a questionnaire in which you have asked them to state the dollar values of the different metals in their ore. One might well ask "What difference does this make as long as the metals needed by our Government are being produced? What value should we use? The value of the ore at the collar of the shaft or at the portal of the tunnel, or at the point of origin? Shall we use the New York, St. Louis, or Leaville price? Shall we use the analysis given by the smelter or shall we use the assay value taken at the mine of all of the metals produced?"

We feel fully justified in objecting to discrimination against Colorado's mines. We call your attention to the fact that the actual amounts received in final settlements for copper, lead, and zinc in Colorado are, in many instances, much lower than in some of the other States. Are we to pay additional penalties by being deprived of priorities simply because we are at the present time penalized more than they are in some sections to which we will refer?

What logical basis is there for this 30 percent figure? We have shown that it certainly was not the result of an analysis of the ore values produced in the State in any year from 1859 to the present; or using the total figures of the entire period this was not the case.

Since the order has been released you tell us that while we are excluded from the order you intend to take care of us one by one after we have made application to Washington, and you have referred our individual cases to the proper metal divisions. For example, copper to the copper division, lead to the lead division, and so forth.

We submit in all fairness that it is much easier to examine the production of the metals in our State and of the different mines in the State and to tell us whether you want the total amount of lead, zinc, and copper we are now producing and whether you are sincere in your announced policy and are in line with the other departments of Government which seem to think that we need these metals for our war effort.

When you examine our smelter schedules submitted here for your convenience we believe that any fair-minded person would see the inconsistency of the dollar value basis in a district such as ours. We again hear your answer: "We have nothing to fear." We realize that you are a square-shooter and that you mean

just what you say, but as pointed out by Senator McCarran in Nevada, you are not glued to your job and there is always the possibility that we might have to deal with someone other than yourself. We know from past experience in dealing with offices located at any distance—whether they be in Washington or elsewhere—that it is far better to have a ruling made specifically so that all will be treated on the same basis regardless of personalities.

We might well ask, Do you want the 70,134,000 pounds of lead, zinc, and copper and the additional production we can make in Colorado if you but put your orders in writing so that the industry will know exactly where it stands? Mining operations cannot be conducted with fairness to all on such a proposition as you submit to us. We were given assurances by other departments of the Federal Government, but we are sorry to say that experience has taught us that these assurances have never materialized.

MATERIAL IS SHORT

We understand that there is a shortage of many of the materials used by the mining industry in producing the metals necessary for war, but in examining the figures in Colorado of steel, for example, we do not think that our demands are great enough to justify you in closing down entire communities and in disrupting our way of life and the economic well-being of the people who will stay at home and fight the battles here on the home front while their sons are fighting in the front lines. Our figures show only 350 tons of manganese steel were used in 1941, only 250 tons of the carbon drill steels, only 1,400 tons of mild steel, and 500 tons of alloy steels, or a total of 2,500 tons. Surely the production of the lead, zinc, and copper justifies the use of this small amount of steel in Colorado. Had you used the requirements of the industry in the form of steel as a basis on which priorities might be granted, there might be some logic to your position.

We even go further. We state that in many districts in Colorado the scrap metal finding its way back to the steel plants is much greater than at any former period; therefore, the figures of the amount of steel used in the industry are excessive for we returned part of this steel to the steel plants to be used for processing in making new equipment.

PD-1-A FORMS

We think that PD-1-A forms might be used by some companies where they have efficient bookkeeping methods, clerical help, etc., and where the operations are large enough to justify the keeping of stocks of supplies. We call your attention to the fact that under the old order P-56 we agreed to keep our stocks at a minimum and that we would not use priority ratings except where they were needed, and then you will recall each plant agreed to file each month on form PD-119 a list of those items which it has purchased during the prior month on which it had used preference ratings. You have a constant check on these companies, and not only that but you have the full cooperation of the mining men of this State and you can easily cut off any mining company which exceeds its quota fixed in the former order, as well as the present order, by your own yardstick. If you want to make a survey of the amount of material used under these higher preference ratings, we will be most happy to make this survey and show you how small the demands of the industry are in comparison with its value to our economic welfare and to the national war effort. Surely there must be some balance in the issuance of such orders. Objectives must be considered with results, and the morale of our people, as well as the livelihood of those of us who must stay put during this emergency, need your consideration.

Our little mines keep very small inventories; in fact it can be proven that large companies use more material per ton of ore produced than little miners. Little miners must conserve their capital; they must receive prompt payments for their shipments of ore; and they also need supplies promptly in order to survive. It is the well known problem of little business which has been before the public considerably recently, but the sum of the production of metals of all of these little mines is our one hope of increased metal production in this country. Many of the larger operations are at capacity, thanks to your department's efficient classification of their priority needs. We only ask for the same consideration for the small mines. It is silly to say that we are misrepresenting your order. Your order means exactly what it says. The order should be changed to include the situation which we have in Colorado.

The mining men of the State of Colorado, after careful consideration, a great deal of deliberation, concerted discussion, and numerous conferences with attorneys, engineers, technicians, operators, prospectors, and miners recommend to you that you amend your Order P-56, dated March 2, 1942, and include in its

provisions the mines of Colorado and not exclude those mines which produce more than 30 percent of their dollar value in gold and silver.

We have called your attention to our smelter situation—one lead smelter in Leadville. The manager of this plant states that less than 10 percent of the shippers to that plant could qualify under this order. If 90 percent of the shippers were cut off, you know the smelter would close down. Since the order has been issued you have told us that you have no intention of shutting down these mines or the smelter; that you intend to take care of us by some other method; that we might use an A-16 rating under P-100; that we might have our rights reestablished after our applications have been referred to Washington on an individual basis and individual action taken after recommendations have been made by the different metals sections of the War Production Board.

TIME IS SHORT—RED TAPE SHOULD BE ELIMINATED

It requires effort both at the mine and in Washington to handle these orders. Someone pointed out that the orders themselves are printed with type made from lead. We can do away with a great many of these orders and simplify them and enable many of the men employed in Washington to help in some of the essential industries, and by the same token enable the miners to spend more time in the mine getting out the metals we so desperately need.

Boats carrying ore to this country are being sunk. We must produce these metals and we submit in all fairness that individual applications, based on the theory that all items purchased from one company be included on an individual application but separate applications must be made where purchases are made from different suppliers, complications too numerous to mention will creep in. We want the industry classified as an industry and not on an individual and possibly a personal basis.

Ore bodies in Colorado may be smaller and may change from time to time in metal values, but we are able to get by and produce the metals you ask us to produce because of the gold and silver values. Gold and silver have made many of our other industries possible. Many of these mining organizations are today financing additional development work in districts which have heretofore, and possibly will in the future be known for the strategic metal values.

We are all in this war together; we want to win; we want all of the mines to work; we want all of the people in all of the mining districts to do their part. We will pay back in taxes a large part of the values of the gold and silver. We will build up and strengthen our economic welfare. We will do the things for which we are fighting this war and you can count on the Colorado miners to deliver. The people of this State are aroused, and justly so; they are indignant to think that such an order as yours would be thrust upon us at this time. We count on our public officials to get the job done—not penalize the mining industry by making such ridiculous orders as P-56 as amended March 2, 1942.

Senator McCARRAN. Mr. MacBoyle, will you please come to the table?

STATEMENT OF ERROL MacBOYLE, MINING ENGINEER AND CHAIRMAN, STATE MINING BOARD OF CALIFORNIA

Senator McCARRAN. Mr. MacBoyle, will you kindly state your name, address, and position or occupation for the record?

Mr. MacBOYLE. My name is Errol MacBoyle. I am a mining engineer and am chairman of the State Mining Board of California. I am representing Governor Olson, who has asked me to represent him here.

I do not have any notes or any data; that will be covered very comprehensively in Mr. Knorp's report, which I think you have, that was compiled by the California Chapter of the American Mining Congress. All of us operators—I am a gold-mining operator myself—supplied that data, which I think will give any information which the War Production Board or the committee may need.

The CHAIRMAN. For the record, would you please state whether or

not the order as it existed 10 days ago was having a harmful effect on the industry in your State?

Mr. MACBOYLE. I would say that the order, when it came out of a clear sky, caused great consternation, to say the least. The Governor of California was very much disturbed over that, because it meant, the way the order read, practically the closing of all our gold mines on the mother lode, some of which had operated without stopping since 1850.

As to the mine which I represent, the Idaho-Maryland, which is probably the second largest gold mine in the United States, it would have meant ultimately the closing down of the property, and that means destruction of the communities. For instance, in Nevada County there are about 20,000 people, of whom probably 18,000 are dependent upon the gold mines.

At that time we did not know whether the taking over of the mines in the Philippines by the Japs was any worse than what the War Production Board was going to do with the gold mines of California. But Dr. Nelson in his administration is, I think, trying to do the best he can under very adverse circumstances.

The CHAIRMAN. That gives the influence that the order had when it was first promulgated. For the record, if you will, state whether or not the execution or the administration of that order has been harmful to your mines.

Mr. MACBOYLE. Well, in a few cases it has. Of course, Dr. Nelson mentioned here the other day the Argonaut mine and said that the mine was really closed because it was making a small loss. But that mine, if I may disagree a little, has a large fund behind it. Probably the loss of \$30,000 or so would not have made any difference under normal conditions; but under the conditions of uncertainty and the lack of labor that now exists it does make a difference. For instance, our mine which a year ago was operating with 1,000 men has, according to the last report, probably 600 left. I want to make mention, too, of the rather unfortunate publicity that goes out on some of these things, which, I have been assured by Dr. Nelson, is being taken care of. However, the last order about the powder came out in the headlines of the Wall Street Journal as "Gold Mines Denied Powder." Well, immediately there was great consternation in California, because you cannot dig holes without dynamite.

Representative ENGLEBRIGHT. If I may interrupt, on that powder order, I might say out of deference to Dr. Nelson, I got in touch with Dr. Nelson the day he arrived in Washington from a trip out of town and spoke to him with reference to that particular situation, and he assured me that it was an error in publication, and I told him at that time that I intended to communicate with all the northern California papers in order to correct the situation. It was very unfortunate. Would you tell us just what effect it had with reference to labor right in our home community, because we both live in the same community?

Mr. MACBOYLE. I can say that within 2 days we had lost 75 men. It would have been all right if those men had gone into war production, but unfortunately that was not the case. Quite a number went down to that camp at Marysville and immediately became carpenters.

Mr. NELSON. That publicity was just a misinterpretation of a priority order. It was misinterpreted by the press.

Mr. MACBOYLE. I appreciate that, Dr. Nelson. The unfortunate part of it is that some of the press will jump at conclusions.

But I think that Congressman Englebright will back me up when I say that all the gold miners, if they felt in any way that their operations were interfering in the least with the winning of this war, would close down and let the mines fill.

But as to the amount of this material and whether a lot of these orders are really necessary, we think it can be cleared up and shown to the War Production Board and shown to the people of California and the other mining States. I think it is going to take quite a burden off the shoulders of Dr. Nelson and the War Production Board. I do not want to tell them how to run their business, but that is just the opinion of an observer. We feel that the gold mines can be kept in operation with the use of very little material. The larger mines have supplies on hand that will last for some time.

But the thing that was uppermost in our minds was the fact that the gold mines would be closed down without any chance afforded to try to keep alive. We feel that if the gold mines can be kept alive through this period of stress, ultimately the gold mines are going to help save the United States after this is over, because we all feel—we may be prejudiced—that gold and also silver will be badly needed after the expenditure of these, shall I say, astronomical figures is over with. Dr. Nelson in his administration has, I feel, given every consideration he could. For instance, I asked him at Reno whether if a pump broke down we would have to close our mine. Since then, under his administration, we feel that we can go ahead, operate, and keep our mines out of water.

The mine I represent has about a hundred miles of working—as Mr. Conover said, heavy ground, and the rest of it. If that mine should fill up, it would probably cost us a million dollars to reopen it, if it ever was reopened, because these deep mines are difficult to reopen. The Idaho-Maryland was filled up and was reopened a few years ago at a cost of a million dollars. That is mentioned just to give you a picture of what it means.

The CHAIRMAN. What is your reaction to the statement made by Dr. Nelson this morning as to the clause about the 30 percent? What effect will that have upon your industry?

Mr. MACBOYLE. I think that that will all be from the psychological end. The men have felt that they have got to move out of the gold mine areas because of the uncertainty of what the future will be. They all feel from the publicity that has been put out that the War Production Board was ultimately going to close down the gold mines. They were looking for some place to mine.

I know what has been said—that these men could be put to better work in the strategic minerals. But we feel that if these gold mines can be kept in operation—I am speaking now for our own mine—our directors have said, "Go ahead into strategic minerals, even at a loss, in order to produce," and that is what Governor Olson has wanted, too.

We have out there a fund to stimulate the production of strategic minerals. But to do that, gold mines will have to have some source of income, because none of us have such large reserves that we can

go in. But we want to keep our geological staffs and our mining men together. That can be done by turning part of the income from the gold mines into the transfer to strategic minerals, which we are perfectly willing to do. We are now working along that line with Dr. Nelson, the Metals Reserve Company, and the rest of them, trying to do that.

The CHAIRMAN. It seems to me, under the developments brought out by this hearing, that every mining camp and every mine, in effect, is an individual problem.

Mr. MacBOYLE. I think it is.

The CHAIRMAN. It has to be considered by the Board, on the one hand, or the mine or the community on the other. Then you will come to some agreement, and that agreement will be presumed to be in the best interest of our war effort.

Mr. MacBOYLE. I agree entirely with that. As I say, Dr. Nelson has been very fair in all his rulings. I think that if it is left in hands like that as to the future, the gold mines can get by until better times.

The CHAIRMAN. We thank you for your statement, unless there are some questions.

Mr. NELSON. Might I just state that I do not doubt at all any of the statements made by Mr. MacBoyle, but I would like to call attention to the fact that at the time this amendment was made on March 2 there were only 9 of the 50 mines of the Mother Lode that were operating under this order.

Mr. MacBOYLE. Yes; I appreciate that. Of course, nobody wants to get under regulations until it is absolutely necessary.

Senator McCARRAN. Mr. Matt Murphy is the next speaker.

STATEMENT OF MATT MURPHY, INSPECTOR OF MINES, STATE OF NEVADA, CARSON CITY, NEV.

Senator McCARRAN. Will you please state your name, your official position, and your residence for the record?

Mr. MURPHY. My name is Matt Murphy. I am State Mine Inspector for the State of Nevada, and I am located at Carson City, Nev. I am also Emergency Coordinator of Mines of the State of Nevada.

Senator McCARRAN. Any statement you care to make we will be glad to have, Mr. Murphy.

Mr. MURPHY. Well, I was very well pleased when I heard Dr. Nelson say this morning that the 30 percent of gold and silver was cut out, and I am sure it will have a very good effect in our State as well as in all the other Western States.

Now, there is one thing I would like to ask Dr. Nelson to do.

The CHAIRMAN. Will you speak a little louder, please?

Mr. MURPHY. There is one thing I would like to ask Dr. Nelson to do, and I think it would help out a lot in our State as well as the others.

A lot of the miners back there, when that order came out about the powder, that they had to have a serial number under P-56, A-8, to get powder at all, came into my office and said they tried to get powder from the dealers and couldn't get it; they had to have serial numbers. They had been telling them that under instructions from Dr. Nelson they could not get any powder without a serial number.

Mr. NELSON. They can.

Mr. MURPHY. But they didn't know it. They said, "We cannot get it. There is the order from Washington." They had a copy of it. So, they were kind of confused about the matter. I was just thinking that if Dr. Nelson would write me a letter to the effect that you do not need a serial number in order to get powder, I would have it published in all the papers of the State, and it would be helpful.

Mr. NELSON. I will give you that letter before you leave.

Mr. MURPHY. I heard Dr. Nelson make the statement that he did not know of any mines that had been shut down on account of priorities. I sent out a lot of questionnaires to the mines, and quite a few of them have been returned. We have had mines in Nevada that shut down, as the statements will bear out, because they cannot go on. They have stated, also, in some cases, that they can run only from 60 to 90 days, and not later than the 1st of August, on account of a lack of supplies. The reason they are working now is that they had supplies on hand that will carry them over until that time.

Senator McCARRAN. Are the mines you are now mentioning mines that are producing strategic or war-essential metals?

Mr. MURPHY. No; the ones producing strategic or war-essential metals have got serial numbers. It is gold and silver mines I am speaking of.

Senator McCARRAN. Are they straight gold or silver mines?

Mr. MURPHY. Some are gold and silver, and some are straight silver. For instance, the Nevlock, near Silver Peak, is purely silver; nothing else. They are working 150 men there, and his questionnaire, returned, said that about the 1st of August he would have to shut down.

Senator McCARRAN. Is that Mr. Chord?

Mr. MURPHY. No, Mr. Chord's is Silver Peak. This is Desert Silver, of Nevlock. Mr. Chord is the one that shut down.

Senator McCARRAN. Mr. Chord's is what?

Mr. MURPHY. Mary Mines.

Senator McCARRAN. That has closed down?

Mr. MURPHY. That has closed down.

Senator McCARRAN. Was that straight silver?

Mr. MURPHY. Gold and silver.

Senator McCARRAN. And no war essential metal?

Mr. MURPHY. None whatever. The camp at Silver Peak was depending on that particular mine, and there is nobody at all there now.

Senator McCARRAN. I wonder what the record is, if the doctor has that? What is the record, if you have it with you, as to whether or not the Mary Mine of Mr. Chord made application?

Mr. NELSON. They stated that they were voluntarily closing down to go into the mining of strategic materials.

Senator McCARRAN. That is what his written statement says?

Mr. NELSON. That is what his written statement says.

Senator McCARRAN. So, he did not make application for a serial number?

Mr. NELSON. No, he said he was going to try to go into the mining of strategic minerals and was shutting his mine down.

Mr. MURPHY. His questionnaire reads differently. He shut down on account of not being able to get supplies.

Senator McCARRAN. Yes.

Mr. MURPHY. Now, the conditions that existed in our State before the serial numbers were taken away were that several of the gold mines in our State had engineers out looking over properties containing strategic materials and were financing their inspections and development work with money derived from their gold mines, having no money available from other sources. If they cannot operate their gold mines, I am informed, they will have to stop their exploration and development work.

Because of the uncertainty of getting material with which to work, most of our gold mines are not at present doing any development work, and when the ore they have in sight is exhausted they will not have any reserves to fall back on. Consequently they will be forced to close, as the overhead expenses would be as great for a small crew of men as for a full force mining ore and also doing development work.

We have many miners working the gold and silver mines who are now past 50 and 60 years of age and have never done any other work but mining. Put them in a mine, and they are just as good men at this work as they were 20 years ago, but take them out of a mine and they would be lost.

At the present time the majority of the miners employed in the gold mines are past the draft age, most of the younger men having been called in the draft. I know of a number of instances where these elderly miners have sons that have been called to duty with the armed forces. Most miners have families, own their own homes, are regular investors in war bonds, and are in general good, substantial citizens. If they are compelled to leave their homes because of the mines shutting down, and have to go out and look for some other kind of work, it will work a great hardship on them and their families. These men are past the age where they can secure employment in defense work, and even if they could, I am doubtful if they could hold down such jobs, because of the difficulty of learning a new trade after a lifetime spent in mining.

Not only would there be a great deal of personal hardships if the gold mines should shut down, but it would have serious effects economically. The standard of living of this large group of people would be greatly reduced, and hence their ability to buy bonds and stamps. Because of their lack of skill in a new type of work, they could not command as high wages as they had earned mining. Also, many communities in Western States are almost wholly dependent upon a nearby mine or mines for their livelihood. They would be seriously affected and their very existence threatened if those mines were closed down.

Nearly all of our gold mines are fully equipped with machinery, but in case of a break-down they should have a higher rating than the A-10 rating provided by Order P-100. Form PD-1A, which they can use to apply for a higher rating, would have to be filled in, sent to Washington, and approved by the War Production Board before needed equipment could be purchased to mend the break-down. In my opinion the amount of material the gold mines use in their operations would not work any great hardship on the need for such material for national defense. While in Nevada and all the Western States the first thought of all our people is to win the war and win it as quickly as possible, still I believe there should be a change made in

the present priority rating for gold and silver mines so that they can continue to work and not be forced to shut down.

That exists today in our State, and there is a lot of dissatisfaction, especially since this powder order came out. We all appreciate what Dr. Nelson has done since the meeting in Reno. I have heard a lot of people speak highly of Dr. Nelson and they believe that his heart and soul is with the mining people; at the same time they do not think that they should be cut out of powder; that they have to do development work even in looking for strategic materials.

Mr. NELSON. They were never cut out of powder. That was just a misstatement made in the press.

Mr. MURPHY. The miners in our country do not know anything different from what Will Rogers said: They know only what they read in the papers.

Mr. NELSON. I do not believe that anyone supplying powder to a miner can stop supplying him on the basis of a newspaper story, do you?

Mr. MURPHY. He might not be able to stop supplying him, but when a miner goes up and looks for powder and is told, "You can't have it," it is like the story of the man who was in jail and was told by his friend, "They can't put you there." But the man said, "I am here." It is the same story exactly.

Mr. NELSON. I do not think we can be blamed for that.

Mr. MURPHY. If we can clarify that situation, I think it would help a lot; and if you, Dr. Nelson, will give me that letter, as you say, I will see to it that the miners in the State of Nevada all get it.

Mr. NELSON. We have already put out a number of releases on that subject to clarify the whole thing, and we understood it went to all the Western papers.

Mr. MURPHY. Well, there are a lot of prospectors and men doing small operating who do not get those papers except once a month or once every 2 months. They are a long distance from the railroad, they have no automobile tires, and they have to walk, and the walking in parts of Nevada is pretty rough. That is the reason. But I can write to each one, after I get it from you.

Mr. NELSON. All right. I will furnish you with that.

Representative ENGLEBRIGHT. Just taking into consideration the more or less consternation that resulted from the unfortunate press release, I wonder if it would be possible for Dr. Nelson to send to the Representatives in Congress who come from these localities where critical conditions exist and where gold and silver mines are located, copies of the press releases. In other words, we do not get that news until we read it in the newspapers. Then, as in this case, the damage has been done. If we can pick it up at the same time the press does, perhaps we may be able to eliminate the difficulties. I wonder if that would be possible.

Mr. NELSON. Congressman Englebright, I will be delighted to send any press release or any information we have in our office at any time to any list that will be furnished me.

The CHAIRMAN. Again, that is an individual proposition, and those Members of the Congress who desire to secure the releases should, I suggest, take the matter up with the Department and make that request, and no doubt it will be granted.

STATEMENT OF CHARLES L. BRADBURY, PRESIDENT, NEW MEXICO MINERS AND PROSPECTORS ASSOCIATION, ALBUQUERQUE, N. MEX.

Senator McCARRAN. Mr. Bradbury, will you state your full name, your residence, and your position, if any?

Mr. BRADBURY. My name is Charles L. Bradbury. I come from Albuquerque, N. Mex. I am president of the New Mexico Miners and Prospectors Association. I am a mining engineer operating lead, zinc, and copper mines in New Mexico.

When we had this friendly rivalry among the Western States about production a while back, I believe Montana got first prize with \$2,000,000,000. I think it might be of interest to note that the Butte mines were originally silver mines, with hardly a trace of copper, and that only by working those silver mines did they eventually come into the copper mines, which became the richest hill in the world.

Mr. NELSON. Gold and silver.

Mr. BRADBURY. Also, I think it is a known fact that a great many prospectors who are panning streams for gold have found a lot of alluvial tin deposits in various places in the world.

About this silver, which has been so kindly settled for the time being, our principal silver mine in New Mexico is the Mogollan. That is one of the few mines in our State that we have worked continually for almost 60 years. In the Apache country in the early years it was a very dangerous place to be, and the man who discovered the district was killed by the Apaches on the place.

It was only due to the fact that the Mogollan was working that the very big copper deposits of Morenci, in Arizona, 30 miles away, were discovered and opened up. The fact that the Mogollan was the spearhead of civilization permitted that to be done. That mine is one of the mines that has gold and silver and is under a cloud on account of this matter which we are discussing.

I happened to work in this mine as mine shift boss some years ago, so I have some personal recollection of the situation there. They have about a 100-ton operation, and I would assume that the principal item of consumption of iron and steel is in grinding media—grinding balls and crushing surfaces—and the consumption is probably about 100 tons a year. That is a very small amount of steel or iron, and I am sure that there must be thousands of tons of scrap on the property at Mogollan.

I have in mind for the mines the idea that has been adopted for swapping an empty toothpaste tube in order to get a full one. Why cannot the mines do that, working on the same basis? The only thing scarce is the metal—the iron and steel. What stops that is that this particular scrap around this mine is 75 miles away from a railroad, and the price at which scrap iron is now pegged makes it impossible to bring that scrap steel 75 miles by truck and railroad and then many more miles to the nearest smelter, at Pueblo, Colo. So what is actually causing that shortage is, apparently, the price peg on scrap iron and steel.

I think that that is true also of a great many other mining properties in the remote places of the West. I think there are enormous quantities of scrap iron and steel on the properties, but they are so remote

from markets that it is just impossible to bring this stuff out and get it to a smelter.

It has been mentioned here several times that every mine is an individual problem, which is certainly true—almost as human beings are individuals. Of course, we are just going into this war now and must look forward to a long period of cooperation and help from the War Production Board and the miners in doing everything in their power to help insure the maximum production of all the metals. That goes without saying.

I am sure that the War Production Board was organized very suddenly and very recently, but it is of the utmost importance, to my mind, that the management and administration problems through which they control the entire metal-mining industry be capably handled. Of course, it is essentially true that the personnel of the Board should be composed of the most capable, most experienced producers of metals available in the country. Of course, also, it is hard to say who is and who is not. But I think it might be of great assistance to the mining men if a record of, say, the top 25 men in the Materials Division of the War Production Board, their experience record, and so forth, were made available, so that we may understand each other and talk the same language. Mining men are, you might say, micronisms in their own little world and know one another very well.

In the most recent edition of the Mining Journal, for instance, there appears a full-page diagram showing the personnel. It has on one page here 25 names of top men in the Materials Division. I have been mining for more than 20 years, and I was rather surprised—I think perhaps I am getting out of circulation, becoming an old fogey—that I did not recognize a single name on the paper.

So I undertook to inform myself and look them up in a volume entitled "Who's Who in Engineering," a very large, catholic document that has thousands of engineers listed, and I was able to find only 4 of those 25 listed.

Now, this is the directory of the American Institute of Mining and Metallurgical Engineers. It has the names of 12,000 men who are mining engineers or are engaged in allied branches. I could find the names of only 5 of the 25 in that. Of the 5, 4 were college professors and 1 was a geologist. There is nothing in this record to show that any of these gentlemen have operated a mine.

The CHAIRMAN. What do you want the committee to conclude as a result of your statement?

Mr. BRADBURY. Why, I have no suggestion whatever to make in that respect. I might add that, unfortunately, Dr. Nelson is not in either one of these.

Mr. EATON. Just as in a mine all the work is done underground, so in the War Production Board the work is done below the level of the top 25 who get their pictures in the paper.

Mr. BRADBURY. This is just overhead, then.

Mr. NELSON. In qualifying myself to speak on the first day of the hearings, I stated what my mining experience was.

The CHAIRMAN. I am afraid that that is a matter this committee cannot do very much about.

Senator McCARRAN. We might have you listed in Who's Who.

Mr. NELSON. I have been in Who's Who for over 20 years, and I

belonged to the Association of Mining and Metallurgical Engineers until I resigned several years ago.

Representative ENGLEBRIGHT. I might say that when I first met Dr. Nelson, 15 or 16 years ago, he was, I believe, operating mines. I knew him as a mining operator.

The CHAIRMAN. I do not believe it would be profitable to go very far back into the records of all of you.

Gentlemen, Mr. Knowlson is with us, and he desires to make a statement.

STATEMENT OF J. S. KNOWLSON, CHIEF, DIVISION OF INDUSTRIAL OPERATIONS, WAR PRODUCTION BOARD

Mr. KNOWLSON. My name is J. S. Knowlson. I am Chief of the Division of Industrial Operations, War Production Board.

I simply want to take this opportunity of expressing my appreciation for being asked to come here and for having the opportunity of listening to and learning something about the problems of the industry. I am in the Materials Division of the Board, and I have the misfortune to be a manufacturer rather than a mining man. Therefore, it is particularly advantageous to me to have this chance to be here with you.

I want to say that from the operating point of this picture, because the general supervision of priorities comes in under the supervision of my division, we have always felt that the mining interests received very sympathetic and intelligent treatment under Dr. Nelson. We think that he appreciated the problems and fought the battles of that group or industry as well as any other was taken care of in the Board.

One statement announced by Dr. Nelson created the impression that perhaps members of the staff of the War Production Board felt that they were superminds. For myself and the other members, I am sure I can speak to say that we are far from feeling that we are super-intelligences. I think that we, more than any other group, are conscious of how we do stumble and of how much too large for any of us these jobs are that we are trying to do. Time hangs over us all like a vulture, and we are trying to rush to do this work. We are conscious that we make many, many mistakes. The only thing I can say is that we are willing to correct them as soon as possible. I think you have evidence of that today in this removal of the 30 percent limitation.

I am very much interested in the comments about the scrap situation. I think perhaps we can do something about that. I will take it up at once with the proper authorities.

Once again I want to thank you and tell you how much I appreciate the opportunity of being here.

Senator MILLIKIN. May I ask a question of Mr. Knowlson, Mr. Chairman?

The CHAIRMAN. Certainly, Senator Millikin.

Senator MILLIKIN. I am delighted to ask you, Mr. Knowlson, because you are a manufacturer.

I think that two points have been developed here very clearly. One is that the mining industry more than carries its weight in the boat, so far as production of critical materials is concerned.

Then, we are confronted with the problem of the manufacturer of

mining machinery. Dr. Nelson developed yesterday or the day before that many of these mining-machinery plants, because of the fine quality of their equipment and the expertness of their workmen, have been converted, in whole or in part, to making munitions. I think it was also developed that there are probably 83,000 items of munitions and that perhaps it is a subject of speculation whether some of those are more important than mining machinery.

Would it be a practical thing, for the benefit of the committee, to have a survey made of the 183 plants that formerly made mining machinery and that have, in whole or in part, been converted into the making of munitions, to find out exactly what those plants are making and what percentage of their pay roll, or any other standards you want to take for judgment, is used in making mining machinery and what percentage is used in making munitions, and also the type of munitions, so that this committee can judge whether there is the bottleneck which in part might be removed?

My point is that I suspect that out of the 183 manufacturers some are probably making munitions, let us call them munitions, if you please, that are not as important as mining machinery, but they are making those munitions because there is more profit in them than there is in making mining machinery. If that is not developed as a fact, then we shall have witnessed a revolution in human nature.

Would it be a practical, feasible thing to make such a survey?

Mr. KNOWLSON. I would think it might be perfectly feasible to make at least a sample survey of that. It may be that we have at this time available enough information on a survey we made in the last quarter to give a certain picture of that situation. With your permission, I will have that checked up and give whatever information we have to Dr. Nelson at once.

Senator MILLIKIN. Mr. Chairman, I would most respectfully ask that the committee receive such a report and consider it, because I think it goes to the heart of one-half of our problem here.

Mr. KNOWLSON. We will only be able to tell you, I think, from the rated pattern of their orders, which I have an idea we can do, how important their munitions work is.

Senator MILLIKIN. But it would be possible, if the committee wanted more details, to get them?

Mr. KNOWLSON. Oh, yes.

Representative MURDOCK. Mr. Chairman, I have here a statement from one small mine operator in Arizona. I am wondering if it might be submitted for the record. This is just one statement from a small mine operator in my State. I thought it might be substituted here for the record.

The CHAIRMAN. Is it in the nature of a letter?

Representative MURDOCK. Yes, Senator. It is from the owner of a small gold mine who has attempted to get help from outside the State.

The letter indicates that the effect of the order of March 2 has been to stop such development, and quotes three replies made by business firms showing that effect. Their statements were that due to the order of March 2 they would not be interested for some time to come. I felt that this would give some indication of the detrimental influence upon the mining industry, as it worked out in this case. This is one of several communications I have received from Arizona complaining

of the harmful effects of the uncertainty occasioned by some of these necessary wartime regulations.

The CHAIRMAN. Without objection the letter or the statement will be placed in the record.

(The letter referred to is as follows:)

SENATE COMMITTEE ON MINES AND MINING,
Washington, D. C.

MESA, ARIZ., May 4, 1948.

DEAR SIR: While you are studying proposed legislation to give exemption from assessment work to owners of mining claims, please permit me to present a picture of the predicament of the small gold-silver claim holder by citing my own case.

After 8 years of hard work and putting all the money I could raise into my group of six claims, I now have them developed to the point where I have shipping ore and should, in normal times, interest capital to work them. I have advertised to no avail and have written to everyone I know of who mines for gold, and here are samples of the answers which I am receiving:

From the Ohio Mines Corporation, Goldpoint, Nev.:

"With the increased restrictions on gold-silver mines imposed by the War Production Board we think it best to forego any examinations of new properties. If, at some future date, things should once more return to normal, we will be only too glad to contact you concerning the property."

From the Bald Mountain Mining Co., Trojan, S. Dak.:

"It is becoming increasingly more difficult to obtain supplies for a gold and silver operation and it is practically impossible to secure equipment to open a new property, to place an old one in operation, or to expand production."

"Under normal conditions we would be interested in a property having the apparent value of yours, but until the war is over it does not seem practical for us to even consider making an examination."

From Burton Bros., Inc., Rosamond, Calif.:

"From your description of the property it should be attractive in normal times. However, under the present conditions, and with gold mines not having a priority for supplies it would be unwise for anyone to try to open up a new property."

Such letters as these, coupled with the fact that the largest gold operators in the country are shutting down for the duration of the war, are conclusive proof to us owners of gold-silver claims that we have been forced out of business for the duration. Of course, you know that gold-silver claims have been excluded from the priority rating for equipment and supplies with which to mine.

In view of this situation, we feel that we are justly entitled to exemption from our annual assessment work for as long as this condition shall exist, namely, the duration of the war. In the past, exemption was granted yearly about this time of year after everyone had either made sacrifices to get his work done, or was beside himself with worry because he was unable to do it. I hope that you will not give us the same treatment in this crisis.

Sincerely yours,

ETHEL S. CAPPEL.

Representative MURDOCK. Senator, may I ask a question that I am not sure has a bearing on this? What about tires for the work of mine inspectors, and that sort of thing? Has that been gone into?

The CHAIRMAN. That has not been touched, as I remember.

Representative MURDOCK. It occurs to me that it is a vital matter to furnish tires for mine inspectors in their work of safety, lifesaving, and that sort of thing.

The CHAIRMAN. That gets back to the observation I made here this morning: That each of these communities and each of the mines presents an individual proposition. That is an individual proposition to each inspector, and if these inspectors do not have the right to priorities, then, of course, there is a place to which they can appeal to try to make their case. In the event they are entitled to priorities, no doubt they will be afforded tires by the proper authorities.

Representative MURDOCK. Perhaps the situation has been alleviated

somewhat. I do not know to what extent; perhaps Dr. Nelson does.

Mr. NELSON. The procedure is that you first apply to your county board, and if you cannot get relief from your county board, you apply to your State board, which has an 8-percent State quota, as I understand it. If your State board does not give you relief, you apply to the national board, that has a 2-percent national quota for such purposes.

If you do not get relief from any of those agencies, I do not know what your next step would be.

Mr. MURPHY. Mr. Chairman, that was rectified to quite an extent some time back. We could not get tires, but there was an order that came out from the rationing boards that the mine inspectors can get tires, and they went. Three or four months ago we were not able to get them in Nevada.

One of the mine inspectors applied for a new tire. He wanted to get a spare tire. So, the board ruled that he would have to turn in a tire before he could get one. If he turned in one, that left only three, so he told them, "If you give me one back, I will still have the same number as before."

The CHAIRMAN. I think that everybody has already observed that the conversion of a peacetime nation of 130,000,000 people into a war unit has occasioned not only delay but embarrassment. However, my own observation is that we are making rapid progress and that these problems are being worked out as rapidly as we could reasonably expect, and I think we are doing a fine job.

Senator McCARRAN. The next speaker will be Mr. Dave Strickler.

STATEMENT OF DAVE P. STRICKLER, PRESIDENT, CRIPPLE CREEK DEVELOPMENT CO., COLORADO SPRINGS, COLO.

Senator McCARRAN. Please state your full name, residence, and the position you hold.

Mr. STRICKLER. My name is Dave P. Strickler. I live at Colorado Springs, Colo. I am president of the Cripple Creek Development Co., which operates in the Cripple Creek district.

I am attorney for the Midland Terminal Railroad, which hauls all the ore from the Cripple Creek district to the Golden Cycle mill. I am also attorney for the Golden Cycle Corporation, which produces about five and a half million a year, and 90 percent of this comes from the Cripple Creek district. I have been familiar with the Cripple Creek district for about 35 years.

I want to say, first, that I am greatly pleased with the statement made by Dr. Nelson this morning. I think it is going to clear up, I am satisfied, a great many people who were very much disturbed before that announcement. Perhaps they did not understand it, nevertheless, that will clear it up.

Another thing, Doctor, that I want to say to you is that your administration of this order, worded particularly as it is, is certainly conclusive evidence to my mind of a most profound and sympathetic interest in the mining industry. I do not think anybody can deny that.

I like Senator McCarran's suggestion, too, that the matter of shipping mining machinery to foreign countries be turned over to this board. I think that is where it should be.

Mr. Bradbury brought up a matter here that has not been mentioned by anyone else. It has surprised me that it was not mentioned before. That is the price of scrap metal. There is no question that there is a lot of scrap metal, that is produced in the operation of gold and silver mines, and other mines, too, as far as that is concerned, in very remote sections of the country, where the present selling price is insufficient to pay the cost of gathering and transporting that to the mill or the smelter, where it could be used. It seems to me that it would be an advantage to the Government to have that scrap metal price increased. It may not be fair to increase it flatly, but there ought to be some provision somewhere that will enable people who are mining in remote sections to gather together that scrap metal and get it where it can be used in the war effort.

Our production is limited solely to gold. We have just a little bit of silver. We do not like it to be thought that we are not engaged in an industry that is useful in the war effort.

The other day, in response to a question by Senator McCarran, in which Senator McCarran intimated that he thought gold in the West helped to enable the North to win the war, Dr. Nelson said he did not think so. Well, Dr. Nelson, that is contrary to the history of my State. General Sibley came up from Texas with one object in mind, and that was to get the gold at Central City, and he was then going on to California for the same purpose, because the South considered that it needed that gold in the war effort.

We fellows up North thought they were right about it. Now we are fighting—rather, disagreeing—about everything in the world, except that both sides agreed that we needed that gold to lick the other fellow.

Mr. NELSON. No; we needed the gold not to lick the other fellow but perhaps to buy some things that we would have had to get by other means if we had not had the gold.

Mr. STRICKLER. Well, they had a big fight about it; I know that. I think that gold and silver are necessary to the war effort. I think that hard money is an absolute necessity to any economy. I remember when I was a boy we had the greenback or fiat currency craze. I remember hearing Colonel Ingersoll make a speech in which he said he had a silver certificate and a gold certificate in his hand. He made an argument against greenback or fiat money.

He said, "The reason I am in favor of gold and silver certificates is that when I look upon them, I know that their redeemer liveth."

I am an old-time Democrat, and Bob was a Republican, but I think that was perhaps one time when Bob was right.

The CHAIRMAN. As far as that is concerned, that was the only redeemer that Mr. Ingersoll recognized, was it not? [Laughter.]

Mr. STRICKLER. That is right. That is probably why he thought so much of it.

Gentlemen, if we have to close down our gold mines in the Cripple Creek district, I do not know what is to become of our community. In the first place, mines in Colorado that have a production of more than \$5,000 annually are taxed upon production. In some States they call it a severance tax. We call it a production tax. Fifty-seven percent of the entire revenue of Teller County, Colo., which embraces the Cripple Creek district, arises from the production tax, and 95 percent of the total revenue of Teller County comes either directly or indirectly from gold mining.

Now, how can we support our county form of Government and how can we support our school districts if we are deprived of that tax? It is impossible for us to function.

Another thing: That camp has been in existence since 1891. It has been there so long that the people who live there are people who are devoted to the gold-mining industry. They own their homes. I took a survey not long ago, and I found that the average age of the miners of the district was about 48 years. To talk about transporting those people and putting them into some other industry is just out of the cards.

I think I know gold miners perfectly well. I think it can be fairly stated as a general proposition that once a gold miner, always a gold miner. They are a good deal like firemen and policemen. By the very nature of their work they have disqualified themselves from becoming efficient in any other occupation. You cannot transport them. So, it is serious.

I know of only one other place in the country where it is any more serious than in my county, and that is at Homestake. Homestake has the same situation. There is nothing at the Homestake except that mine. There is nothing up there in Cripple Creek except our gold mines.

Now, Mr. Palmer mentioned a thing I should like to touch upon. We are trying the best we can up there to cooperate in every way we can. Even before the war, as Mr. Palmer said, there was one interest in the Cripple Creek district that, as he put it, did a fine job in helping out everybody. That is the Carlton interests. I am attorney for them. I have not a dollar of interest in them, but the Carlton interests are the largest operators there. They own the Midland Railroad, and they own the Golden Cycle Corporation. You can see readily how it is to their interest.

We are fortunately situated to have an interest whose interest is to keep that railroad going and to keep that mill going. The Carlton interests cannot keep the railroad going and cannot keep the mill going on their own production. So, they are interested in assisting all the little fellows and, further, the operators, the lessors, the split-check lessors, and everybody else, and they always have been, even before this war came on.

We are continuing to do that now. We are trying to substitute as much as we can. For instance, instead of using our hose, we are using pipe and are doing everything we know how in order to rescue every bit of scrap we can. We are using it and are sending to the smelter everything that we cannot use.

I mentioned awhile ago about that thirteen dollars and a half not being sufficient. It is sufficient so far as we personally are concerned, but there is a peculiar condition existing that makes it sufficient. There are some coal mines down at Canyon City, and those fellows haul coal up to Cripple Creek. They do not have anything to carry back, so we are unable to get a cheap haul. So, the \$13.50 is sufficient. But I am talking about the fellows—and there are a great number of them—for whom it is not sufficient, and it is certainly to the interest of the Government to get that into the mill or the smelter.

Now, there is another thing that I want to bring up here. I do not know whether it would be unpopular in my State or not, but I do not like it. You take anybody in the position we are in up in Cripple

Creek and tell him that he has to close down because of our small amount of steel needed. I do not think, Doctor, that we need for the entire district—that we can get along on—any more than about 150 tons of steel a year. That will see us through. For us to be told that we cannot have that steel, in order to save it for the Government in its war effort, that is necessary, and at the same time know that the Government is driving a 15-mile tunnel through the Rocky Mountains right now as a Government project, for only one purpose, namely, to transport water from one side of the mountain range to the other side of the mountain range, and to be doing it during these wartimes, we just do not understand it, because we do not think we can lick the Japs by throwing water at them. I think it is about time for the Government itself to be governed by some of its own restrictions.

Another reason why I think so is that after the war is over we have got to have some jobs for these soldiers to come back to—some honorable jobs, some jobs that have some proper compensation for them. We cannot give them any reward by having them rake leaves, as was done in the last depression. We have to think about our reconstruction period.

I think gold and silver are necessary to this war effort. I think they are going to be useful after this war is over.

Just as Mr. Knorr, of California, said, I know that after the war between the States President Lincoln said that our war debt would be paid by the gold from California and Colorado. I know also from newspaper accounts that every time Hitler goes into a country, he grabs all the gold that country has and takes it up to Berlin. He must think that it is necessary.

As I understand it, during the last World War Australia put a \$10 premium on gold to assist in their war effort. I understand that Great Britain right now is doing the best it can to aid South Africa in the production of gold. It seems to me that both our Allies and our enemies are agreed upon that one proposition, just as we in the West and you southerners agreed on the same proposition during the Civil War. I think that the nation that has the largest amount of gold and silver at hand when this war is over is going to have the loudest voice at the conference table. I think that the nation that has the largest amount of hard money when this war is over is going to have the most solid economy on which to rebuild the nation from the distress caused by the war.

I am not quarreling with Dr. Nelson's administration of this act. I think he has been more liberal than anybody under the terms of the act could possibly expect from the nature of that order. That is simply because of his sympathy with the mining industry.

Doctor, you mentioned once or twice or asked the question, "Has anybody been deprived of any priority order? Has anybody closed down?" I think when I called on you you asked me, or you did not deny it. At any rate, I answered, "No," and I answer "No" now. I think the consideration that has been given is remarkable, assuming you give it to everybody else as well as you give it to us, in view of the effect of that order and in view of what I disagree with you on—that is, that you do not think that gold and hard money are necessary to the war economy.

The CHAIRMAN. We thank you for your statement, Mr. Strickler.

Governor Carr, would you care to make a statement at this time?
Governor CARR. Yes, Mr. Chairman.

STATEMENT OF THE HONORABLE RALPH L. CARR, GOVERNOR OF THE STATE OF COLORADO

Governor CARR. My name is Ralph L. Carr. I live at Antonito, Colo. I am a lawyer.

I am interposing here for the purpose of trying to placate some evident difficulties which may be arising between my own brothers. Mr. Strickler just suggested that it was unfair to continue the construction of the tunnel through the Continental Divide, taking water out of the Colorado River over into northeastern Colorado, and suggested that we cannot lick the Japs with water. I am sorry that he has put that interpretation on the activities in connection with the driving of that tunnel and that he would suggest that we can take care of our mining industries at the expense of the power and agricultural industries in Colorado.

The tunnel in question is being driven for two definite purposes, one to make it possible to furnish a supply of irrigation water, which is needed in northeastern Colorado, and the other to answer definitely the power problem in that portion of Colorado which is east of the Continental Divide and is perhaps the most essential project which Colorado may be able to offer in the solution of the war problem.

There is no direct conflict possible between that activity in northern Colorado, which has to do with agriculture and power, and the mining industry in Cripple Creek. For the record, I may suggest that I not only love the farms of northeastern Colorado, but I was reared in the Cripple Creek district and spent all of my younger life there. I am here because of my interest in the mining situation.

I want to confirm before I close the statements which have been made by Mr. Palmer and also by Mr. Murphy of Nevada as to the conditions which are existing with respect to the order which has this morning been modified. A great deal of our mining activity has a psychological result. Rather, it is based on faith in the industry and the hope that we may be able to get ores out of our mines.

Dr. Nelson has suggested that, as far as they know, no mines have shut down as a result of the order regarding the 30 percent gold and silver. While the mines may not have shut down, the Honorable J. Price Briscoe, State Senator from Colorado and chairman of the Committee on Mines of the Council of Defense, was in to tell me last week and to supplement what I already knew of the conditions that are existing in the mining camps of Colorado. The people are depressed as they have not been in many, many years and are looking for places to go to with no hope that they may be able to find places where they can work profitably. The situation is as difficult, I might say, Doctor, as the one we experienced in the early years of the depression in Colorado as the result of the uncertainty from this order that has this morning been modified.

I want to say that I am as happy as Mr. Strickler or anyone else about that announcement, but I deplore the fact that it was not made 2 months ago, when we were at Reno or at Denver. There has not been a fact or an argument suggested in this hearing to add to our sum total about the situation which existed at Reno and Denver 2

months ago, and the 60 days just past have caused a great deal of hardship, suffering, and loss in Colorado and the rest of the mining States because this was not modified then.

I am not satisfied with the fact that you have modified your statement by taking out the 30 percent order. I think that there will be some more definite understanding of the status of the mining industry in connection with the activities of your organization, so that men who will grubstake these lessees, whom Mr. Palmer talked about, men who will be willing to put the capital into the operation of the mines, may know that they have some definite basis upon which to function beyond the idea that their request for the right to operate by securing priority numbers is dependent upon some judgment that may be reached by some human being.

If it was necessary in the first place to issue an order which restricted them, I say that there is some way in which we can say that a production of a certain percentage or a certain quality or a certain quantity of strategic and base metals can be laid down, and then people with money will have something definite on which to make competition in determining whether or not they will back miners and lessees. It seems to me there should be some substitute for the order which has been withdrawn, something which will say to the mining industry, definitely, "If you produce a certain percentage of zinc, lead, copper, or what have you, or if you produce in proportion to some fixed standard—this, that, or the other—then you will have a priority."

I join with the others, Doctor, in my attitude toward you and your fairness toward our problem; but, Doctor, you possess along with us the frailties of other human beings, and men who do not know you and who have the money which might be put into mining do not share with us that confidence in you. I think it would be a protection to you to have some definite standard by which they can put their money on the line and go. I say in support of that fact that my one bit of unhappiness in connection with this is that this was not modified when you were called upon repeatedly at Reno and thereafter at Denver to do what you have done today, and which has been proved by your act today as good and wise. It should have been done at that time, and we would have been saved a lot of trouble.

I feel that there is not any reason why that cannot be done, and I think that the attendant psychological boost that the mining industry would get throughout the West would show very quickly.

I thank you.

The CHAIRMAN. We thank you, Governor Carr.

I want Mr. George Malone to have a chance to make a statement before the committee adjourns.

Senator McCARRAN. Before that is done I should like to make a brief statement, Mr. Chairman.

The CHAIRMAN. Proceed.

Senator McCARRAN. It is brought about by the expressions of my good friend Governor Carr of Colorado. I, too, wish that the order could have been modified at Reno or at Denver, but the Governor will join with me in a recollection that both at Reno and at Denver, Dr. Nelson was confronted with the situation wherein he had to say to us that he was only one and that he had his superiors that he was compelled to fall back on.

It was with that in mind, Mr. Chairman, that I sought to bring about the meeting which has taken place here and that I sought to have Mr. Batt and the others of the board present.

I only make mention of this, Mr. Chairman, to emphasize the proposition that sometimes in dealing with groups it is much more difficult and much more slow to bring about results, the happiness of which came to us this morning when there was a modification of this order. I think, as you do, that the knowledge of this modification going out to the mining communities of America will bring about a rejoicing that has not been there for a long time.

There is just one other thing I want to bring to your attention before Mr. Malone comes on.

Dr. Nelson, I have before me what purports to be a Priorities Bulletin under date of April 20, 1942. I take it you are familiar with that?

Mr. NELSON. I will have to see what you are referring to.

Senator McCARRAN. It is put out by the American Mining Congress.

Re Interpretation of Quota Items as Related to Preference Rating Order P-56, Amended March 2, 1942.

I notice there all the ratings and your reference to A-10 as being the one under which certain priorities could be secured. Rating A-10 does not appear in this list at all.

Mr. NELSON. I think that Mr. Conover had better reply to that, that is something he published.

Mr. CONOVER. Senator, that has reference to the order P-56 as issued on March 2. On March 4 the announcement was made by Mr. Knowlson that the gold and silver mines that had been excluded from the order would be permitted to operate under order P-100, which provides for A-10. We issued a subsequent bulletin which covered the A-10 rating.

Senator McCARRAN. You have a later bulletin than this?

Mr. CONNER. Yes.

Mr. PALMER. The thing our men out our way would like to know, Dr. Nelson—and I am sure everyone else here would like to know, too—is: Are these ratings on this order essential to get those particular items, or are those simply for quota purposes? In other words, as to each item you have listed officially from your office, is it necessary to have those ratings in order to get those particular items? You are familiar with the order, if I may hand it to you, I am sure. Is it simply a quota basis on this A-1?

Mr. NELSON. That is a list of items about which there might be some controversy as to whether they would come under the mine's repair parts quota, where the mine has a serial number, or whether they should be purchased only after receiving permission direct from the Mining Branch. As there were a number of such items, we stated that certain of those items could be bought under that quota with an A-1 rating by buying them directly from the supplier without clearing through Washington.

Mr. PALMER. My question was, Doctor, Can any of those items, in your judgment, be obtained under an A-10 rating?

Mr. NELSON. I would have to check each item in order to answer that question.

Mr. PALMER. That is for quota basis and not for priorities?

Mr. NELSON. This is purely for quota basis, for a mine operator to use as a guide when he is making purchases under order P-56 and to tell him what things he shall charge up against his quota.

Mr. PALMER. Thank you.

The CHAIRMAN. Mr. Malone, will you come to the table, please?

STATEMENT OF GEORGE W. MALONE, DIRECTOR, INDUSTRIAL WEST FOUNDATION

Mr. MALONE. My name is George W. Malone, of Reno, Nev., my Washington address is National Press Building. I am director of the Industrial West Foundation, a fact-finding and research organization dealing with the resources of 11 Western States.

The CHAIRMAN. Mr. Malone, you have been present at these hearings, and you have heard the discussion. As a result of our discussion and the deliberations of the conference, the War Production Board has seen fit to modify the text of a certain order. I should like to have you discuss that as it affects States in which you are interested, and to have you make such comments as you may care to make.

Mr. MALONE. Mr. Chairman, it seems to me from listening to the questioning of Dr. Nelson and his answers that the situation, in fact, is not changed but the impression to the country will be entirely different.

If I get his answer correctly, he did in the beginning and is going to continue to decide each individual case on its merits as it comes before him. But he has clarified this thing, and I agree with Senator McCarran and all the rest of the witnesses that it will have a tremendous psychological effect.

One of the things apparently forgotten by a good many people, and maybe, as indicated by one of the witnesses, not everyone knows it, is that in order to get a mine, you have first to find a prospect. After you find the prospect, maybe one out of a hundred of them may produce some ore. In order to develop a prospect after it is found, someone must do a lot of digging without pay. That is the history of the whole mining industry. In order to get them to do that, there must be some incentive. In other words, there must be an incentive price, so that these men out in the hills know they can sell the ore when they find it.

There was a tendency in the War Production Board and other organizations to assume that they knew where all the minerals were located and that they must conserve those minerals. I am speaking now of the strategic minerals—manganese, chromite, zinc, lead, copper, and tungsten. As a matter of fact, that is far from the facts. A prospect today may be a mine tomorrow, and they find new prospects when enough people are looking for them.

In order to keep these thousands of men in the hills looking for the prospects, digging, there has to be an incentive price for the product to assure an adequate reward for their work.

I wanted to bring out two or three points that I do not think were touched upon in previous statements. Most of the rest of it has been adequately covered by Mr. MacBoyle, Mr. Conover, Mr. Palmer, Governor Carr, and others. I want to endorse their statements.

First, we understand that Dr. Nelson carries out only what the Board decides to do. In other words, he may assist in fixing a policy,

but does not determine it and when it is fixed, he is the administrator. However, this committee is in a position to investigate policy, it seems to me, as to whether or not out of all the material that is available, speaking of iron and steel, which is made up from the strategic minerals and other raw materials, the mining industry as a whole is getting its just share.

Now, there must be an over-all picture somewhere by which someone establishes policy. When that is done and the mining industry assigned its share, they divide it as best they can between the mines that are in operation and people that are trying to find mines in accordance with any policy adopted. The thing is then—and that is where I mean the incentive price is necessary—that we must get more of these materials. We have been 18 months on the job, and have not yet adopted principles and policies that will bring out the maximum of these raw materials. I am speaking of manganese, chromite, tungsten, mercury, antimony, zinc, lead, and copper. However, the ones familiar with this production knew that they were going to be short of these materials a year and a half ago. The West can and will produce a large increased amount of these minerals when the unit price is right.

This is beyond Dr. Nelson, but I have discussed it with him, and I know that he agrees with me. Take manganese, for example. Nearly every State in the West can produce manganese, and some States in the East, in the Appalachian range. South Dakota and Minnesota also have large low-grade deposits. But most of it will have to come from the West. On large contracts a good job is being done, I think, on the large, low-grade deposits; but to bring out small deposits and to get the smaller miners and prospectors looking for these minerals, there is no adopted policy at this time that will bring this material out.

There are two types of potential producers that must be reached:

1. The hundreds of small miners and producers who must dispose of their ore in small lots—do not ask for Government funds, outside of a possible development loan—but must have a definite market at designated rail or terminal stations—and must be paid promptly on a unit price basis that will pay the necessary wages and sorting, or processing costs, leaving a reasonable margin, with a price guaranty over a period of time which will provide an opportunity for the return of development and plant investments. These are the men who discover new occurrences of ore in their widespread operations, and develop "prospects" to a point where the Federal Bureau of Mines is justified in further exploration.

2. The larger investor in processing plants and development operations, requires Government financing—these can be handled through a negotiated unit price in the customary and established procedure of your organization.

There are six principles that must be recognized in any practicable set-up to increase this Nation's production of its strategic minerals:

1. Adjusted unit price that will pay American wages, and the necessary sorting and processing costs.
2. Designated points of acceptance of ore or concentrates.
3. Prompt payment to the producer on the assay returns.
4. Guaranty of such adjusted unit price over a period sufficient to return development and plant investments—a minimum of 2 years following notification.

5. Liberal use of the provision of the National Highway Act, providing for the construction of "access roads * * * to sources of raw materials." (This amendment was sponsored by the Senate Military Affairs Subcommittee on Strategic and Critical Minerals and Materials.)

6. Establish the grade of acceptable material in each case to conform to the available mineral and the requirements of industry.

The recent announcements on chromite, manganese, and tungsten each contain elements of the above factors, but in none of them is the procedure complete—chromite is accepted in truckload lots—35 percent manganese will be accepted—and the unit price for tungsten is guaranteed until December 1943. Suggestions included in this Memorandum follow substantially the principle outlined in May 1941, and included in the hearings by the Senate Military Affairs Subcommittee on Strategic and Critical Minerals and Materials.

CHROMITE

In the announcement dated March 5, 1942, the price of \$50.70 per long ton (2,240 pounds) is established for 48 percent Cr_2O_3 , 3 to 1 chrome-iron ratio; \$40.50 is the base price for high-grade—45 percent Cr_2O_3 , with a chrome-iron ratio of 2.5 to 1. There is practically none of the first grade available, and very little of the second.

The price then immediately drops to a \$28 base price per long ton for low-grade—40 percent Cr_2O_3 , with no limit on iron content. No product under 40 percent Cr_2O_3 is accepted. A large tonnage of this ore can be secured but not at \$28 per long ton.

The following suggestions are made to facilitate procurement of the minerals:

A. A minimum unit price of \$1 per 100 percent (\$40 per ton for 40 percent Cr_2O_3)—acceptance of a 35 percent Cr_2O_3 product, with a premium on the higher grades, above 40 percent, and lower chrome-iron ratio.

B. Establish additional purchasing depots at rail stations in any area presenting evidence of substantial annual production—continue to accept the material in truckload lots—paying the producer almost immediately upon the assay returns.

C. Guarantee such established unit price for a minimum period of 2 years following date of official notification, that purchases by your company will cease. This takes care of investments, and gives the Congress an opportunity to determine policy.

D. Accelerate clearance of requests for construction of necessary roads to such chromite deposits under the National Highway Act. These deposits are, for the most part, in the higher altitudes—the operating season is short.

MANGANESE

A. A minimum unit price of \$1 per unit for the 35 percent manganese with a premium on the grades over 40 percent, and lower alumina, iron and silica content—accept it in truckload lots at designated stations, and pay the producer immediately on the assay returns—with suggestions, numbers 2, 3, and 4, for chromite, applying equally to manganese. The recent announcement of \$1 per unit for

the 48 percent grade is academic, and of no practical effect, since this grade of material is simply not available in large quantities in this country.

TUNGSTEN

A. Establish the minimum base unit price at \$35 for 60 percent WO_3 with a premium on higher grades, with suggestions under numbers 3 and 4 under chromite applying, and number 2 as far as applicable in getting ore to existing processing plants.

The Metals Reserve Co. has guaranteed the present price of \$24 per unit until December 1943 which adopts the principle recommended, but the price will not bring the necessary marginal properties into production, and valuable time is being lost.

GENERAL

The remainder of the list should be handled on the same general principle, of establishing a stable market at adequate unit prices with a guarantee over a period of time long enough to return investments in plants and developments.

The higher unit price on lead and zinc should be available to the established producer when shown that he has invested a reasonable percentage of the added price in new development and exploration work. The dual price is not a satisfactory method, but would be more workable if arranged to stimulate exploration for new ore bodies.

The total amount of funds involved in the necessary adjusted unit prices to bring in the maximum amount of these materials is relatively small, considering that they are the basic raw materials for the entire war production effort and is shown in the accompanying table.

The regular 2,000-pound ton should be adopted in dealing with American purchases—the 2,240-pound, or long ton, is a throw-back to the old British shipping days, allowing for shrinkage in wet shipments—in this country it is only confusing and serves no good purpose, since the moisture content is handled in the specifications.

By establishing a market at a specified adequate unit price, and point of acceptance, the Government assumes no responsibility in development operations, thereby avoiding any possibility of claims for adjustments following the war, that proved so troublesome after World War I.

All of the chromite, tungsten, and mercury—and most of the manganese, antimony, lead, and copper is found in the 11 Western States. They do not understand why priorities in these materials are being cut to the bone, with many marginal properties available for added production.

The top price for domestic chromium (Cr_2O_3) was reached in 1918—\$84 per ton, with an average price of \$44.99—83,240 tons, or 45 percent of our consumption, was delivered that year. The all-time low was \$10.28, reached in 1921.

The top price for domestic manganese (50 percent Mn) was also reached that year (1918) \$68.50, and 305,861 tons were produced.

The top price paid for antimony was 45 cents per pound.

High- and low-price domestic production

Mineral	Wartime high			Percent supplied domestic mines		Price	
	Date	High	Average	1918	1940	1913	1941
Chrome.....	1918	\$24.00	\$44.09	45.0	2.0	\$11.19	\$28.00
Manganese.....	1918	68.50	63.63	35.0	6.0	12.50	25.00
Antimony.....	1918	45	12	14	10.0	.07	.14
Mercury.....	1918	300.00	120.12	82.0	100.0	40.07	100.00
Tungsten.....	1918	105.00	22.27	31.0	100.0	7.24	100.00
Nickel.....	1918	.46	.42	2.0	.2	.41	.24
Tin.....	1918	1.10	.86	.1	.2	.44	.10

Note.—Mercury went to 100 percent production, in fact a small amount was exported. Tungsten is listed at 100 percent in view of recent performance, and on account of recent Idaho discoveries of high-grade ore.

The top price per pound during World War I was—lead, 11 cents; zinc, 18 cents; and copper, 31 cents.

We were getting these materials when this war started from about 32 foreign nations, widely scattered throughout the world, where the low-wage policy prevailed and where in the main, material like manganese and chromite were of a high grade. You could get your manganese from Russia and lay it down here at the ports or even in Pittsburgh for \$17 or \$18 a ton—44 to 48 percent manganese. You could get chromite from New Caledonia or Turkey for about the same price and grade.

It had been a matter of economic policy, up to the time of the declaration of war, where you got those materials. Many of us, accused of trying to develop the western States, since we lived in the mining country, thought we should develop strategic minerals in peacetime, so that we would not be off balance when war was declared. Nevertheless, it is a matter of necessity now and they can get them in this country. Therefore, it must now be determined what unit price and what conditions of acceptance will bring out the maximum of these minerals.

I believe that in order to bring out the maximum of chromite and manganese that you will have to establish at least a dollar a unit for manganese and a dollar per 1.00 percent for chromite accepting 35 percent with a premium on the higher grades. The Metals Reserve Company is now accepting as low as 40 percent in these materials but at the price being offered the small operator cannot produce and deliver the ore. But if a price is offered that will pay American wages and necessary processing costs—thousands of additional miners and prospectors will go to the hills and get these minerals out of the ground besides keeping such men who are already in the hills at work who otherwise would go to other work. Buy the lower grades, below 40 percent, you use lower grades in industry, but even if it must be stock-piled alongside the high grade, and processed later it is good insurance. In other words, if the war is over right away, you may not need it, by the same token if the fire never hits your house, you do not need your insurance; but if it does, it is well worth it.

Therefore, there is a lot to be done where this committee could be very helpful in getting the information before the proper people, members of the War Production Board and the Metals Reserve Company—the proposition of purchasing lower grades, paying higher unit prices, and guaranteeing them over a period of, say, two years,

beyond official notification that they will cease buying such minerals, so that investments would be protected. Then the incentive price would bring out investments, because they could be reasonably certain of repaying the capital investment.

Mr. Chairman, I have prepared some data for Dr. Nelson at his request, and with his permission I will submit it for the record. It shows, for example, the relationship between the production of zinc, lead, and copper and the production of silver and lead in the Western States. For instance, you will find on inspection that the amount of silver and gold in the ores many times helped just enough in the mining operations of the companies to keep the mines running.

In these tables, you will find the amount of gold and silver, lead, zinc, and copper produced through the siliceous ores—more than 30 percent in dollar value of gold and silver—by State for the 11 western States, together with a summary, and the amount of money returned from the sale of these ores. In other words, it was predicated on the 30 percent order, but it is still pertinent in any discussion as to what effect silver and gold mines have upon the production of strategic minerals.

I submit the brief containing tables and charts for the record.

The CHAIRMAN. The committee will be very glad to have them.

Are there any questions to be submitted to Mr. Malone? If not, we thank you again, Mr. Malone.

(The above-referred-to document follows:)

BRIEF SUBMITTED FOR THE RECORD BY GEORGE W. MALONE, FRIDAY, MAY 8
WASHINGTON, D. C., May 5, 1942.

DR. WILBUR NELSON,
Director Mining Division, War Production Board,
Washington, D. C.

DEAR DR. NELSON: Pursuant to your request, I am submitting herewith an line of factual material, including the necessary charts and tables, showing out the relation between the domestic production of silver and gold, and certain critical metals essential for national defense.

The data and information contain charts showing the effect of drafting available "free silver" in the United States Treasury, to replace copper in industry, and the tables show the possible effect on the production of copper, lead, and zinc, of retarding the operation of mines producing ores containing in excess of 30 percent of their total dollar value in gold and silver, or gold, or silver.

The report simply presents the factual material, with no attempt to interpret the many ramifications, or indirect effects of any economic rearrangement.

Sincerely,

GEORGE W. MALONE, Managing Director.

RELATION BETWEEN THE DOMESTIC PRODUCTION OF SILVER, GOLD, AND CERTAIN
CRITICAL METALS ESSENTIAL FOR NATIONAL DEFENSE

INTRODUCTION

The present world conflict has been aptly described as a war of metals and those nations which possess the greatest resources of metalliferous ores and the facilities to turn them into finished products should eventually be victorious.

While nearly all metals are essential in conducting modern warfare, their degree of importance varies considerably both from the standpoint of tonnage required and the practicability of employing substitutes.

Since our monetary system is founded on gold and silver, the chief function of these so-called precious metals is buying power. Gold has very few essential industrial applications, and its high price and scarcity further limits its uses. Silver, on the other hand, plays an important role in industry and while the quantities normally required for essential purposes represents less than 50 percent

of our annual output, it could be substituted advantageously for other metals were it available in large quantities.

OUTSTANDING NONFERROUS METALS

Practically all of the metals have been placed on the strategic and critical lists of materials, but from the standpoint of tonnages produced, aluminum, copper, lead, and zinc are the most essential of the nonferrous group.

In the case of aluminum, we are dependent to some extent on outside sources for our supplies of aluminum ore (bauxite), but the bulk of our copper, lead, and zinc is derived from domestic sources.

During the past 2 years our output of these metals has been stepped up sharply, yet the demand has increased to such an extent that we cannot adequately supply both military and civilian needs.

PROPOSALS MADE BY GOVERNMENT AGENCIES TO MEET EXPANDING NEED FOR COPPER, LEAD, AND ZINC

To meet the expanding need for copper, lead, and zinc, the two following suggestions have been made:

1. Substitute available silver supplies for copper, lead, or zinc and thus release some of these other metals for essential uses.
2. Mine and smelt only those copper, lead, and zinc ores which contain less than 30 percent of their metal value in the form of gold and silver.¹

The object of the first suggestion is to utilize silver which is not employed for essential purposes and substitute it for those metals which can be advantageously used elsewhere.

The announced objection of the second suggestion is to step up the production of copper, lead, and zinc by employing ores containing higher percentages of these metals and thus save the time and expense required in separating the gold and silver from ores carrying substantial quantities of the precious metals.

The object of this report is to show the practicability and effect of these two schemes.

COMPARISON OF PRICES

The two outstanding objections to the industrial use of gold and silver are: (1) The high price of these metals; (2) the limited supplies available.

In the case of gold, these two objections outweigh most of the advantages of this metal and only when small quantities are required has this metal any important industrial application.

In the case of silver, however, neither the limited quantity nor relatively high price precludes its industrial use, and hence it plays an important, if not essential, role in commercial processes.

While the price of silver is nearly 90 times greater than that of copper, the suggestion has been made that because of its high conductivity, it might be temporarily used (in lieu of copper) for certain types of electrical equipment. This silver could later be released and again be replaced by copper when the present emergency has passed.

The relative prices of gold, silver, lead, and zinc are shown diagrammatically in figure 1.

FREE SILVER

In addition to the silver which "backs" the paper currency, there is a relatively large quantity of this metal held in reserve by the Government. Such metal is termed "free silver" and it has been proposed to use this idle metal to replace an equivalent quantity of copper which in turn, would be employed for essential purposes.

The quantity of free silver on hand according to the Treasury Department is 46,740 short tons, an amount equivalent (by weight) to 4.77 percent of our output of copper in 1941.

The use of this surplus silver for purposes which involved no permanent loss of the metal, would release at least 46,740 tons of copper for those uses wherein the latter is essential.

Such a scheme would have to be carefully safeguarded and the silver employed protected against possible loss; but, the tonnage of copper thus released would be quite helpful in offsetting a temporary shortage of this metal.

The relation of free silver on hand to our production of copper in 1941 is shown diagrammatically in figure 2.

¹ Preference Rating Order P-56 and P-50-A, War Production Board (1942).

DOMESTIC PRODUCTION OF GOLD, SILVER, COPPER, LEAD, AND ZINC

The domestic production of gold, silver, copper, lead, and zinc in 1940 and 1941 is given in tables 1 and 2. These tables were compiled from the figures of the

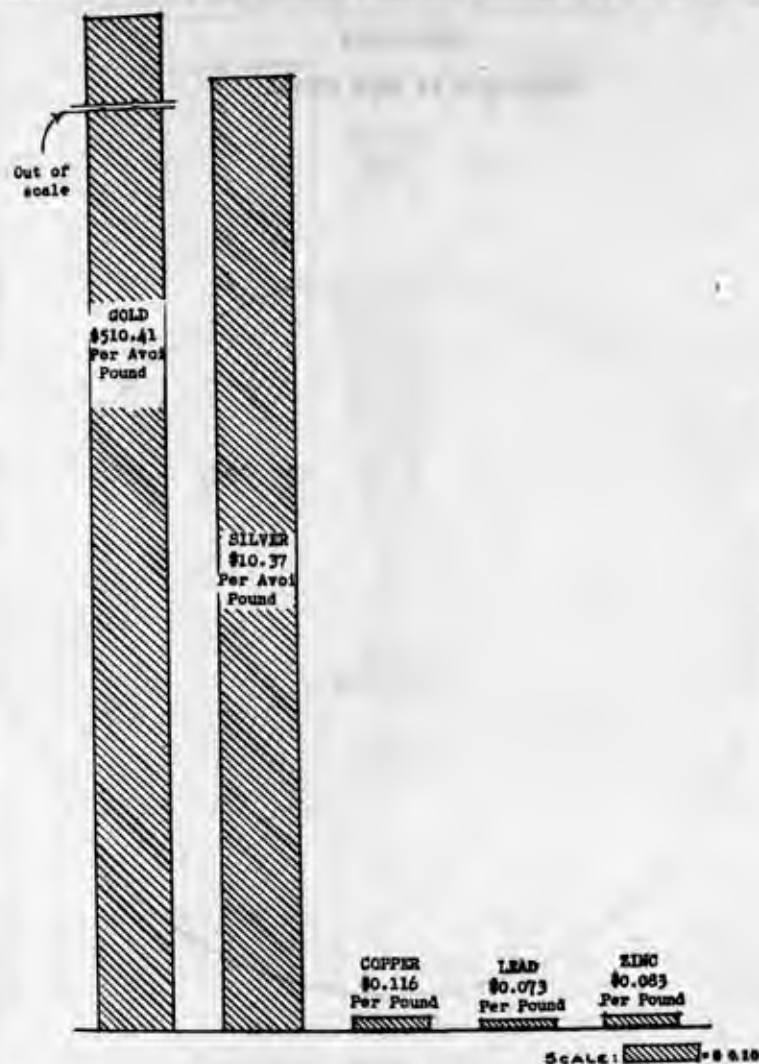


FIGURE 1.

United States Bureau of Mines and while the data for 1941 are preliminary, they show the upward trend in domestic production. The output of copper in 1941 increased 9 percent, the production of lead 0.5 percent, and the output of zinc about 11 percent over 1940. Gold and silver production, however, fell off slightly in 1941.

The tonnage and value of these metals produced in 1941 are shown diagrammatically in figures 3 and 4.

Figure 3 brings out rather forcibly the fact that our annual production of the precious metals is extremely small as compared with our output of copper, lead, and zinc. It is clear, therefore, that even if all of this gold and silver were sub-

PROPORTION

REPLACABLE BY FREE SILVER

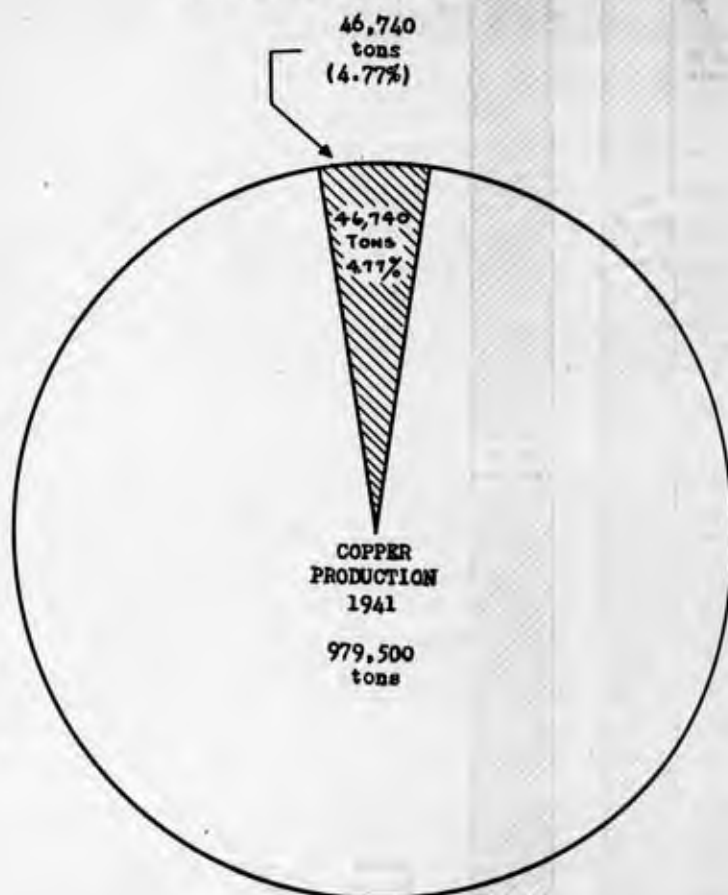


FIGURE 2.

stituted for any one of the other nonferrous metals the quantity of the latter released would represent only a fraction of 1 percent of the annual production.

In figure 4 the total relative values of these metals produced in 1941 are shown. By comparing figures 3 and 4, the great cost of substituting gold and silver for copper, lead, and zinc can be readily visualized. As a concrete example, the amount of copper produced in 1941 was nearly 307 times greater than the silver production yet the total value of all this copper was less than 5 times that of the silver produced.

POSSIBLE AVAILABLE SILVER

As shown in figure 3, the annual production of silver is but a fraction of the copper output, so even if all this silver was substituted for copper the tonnage of

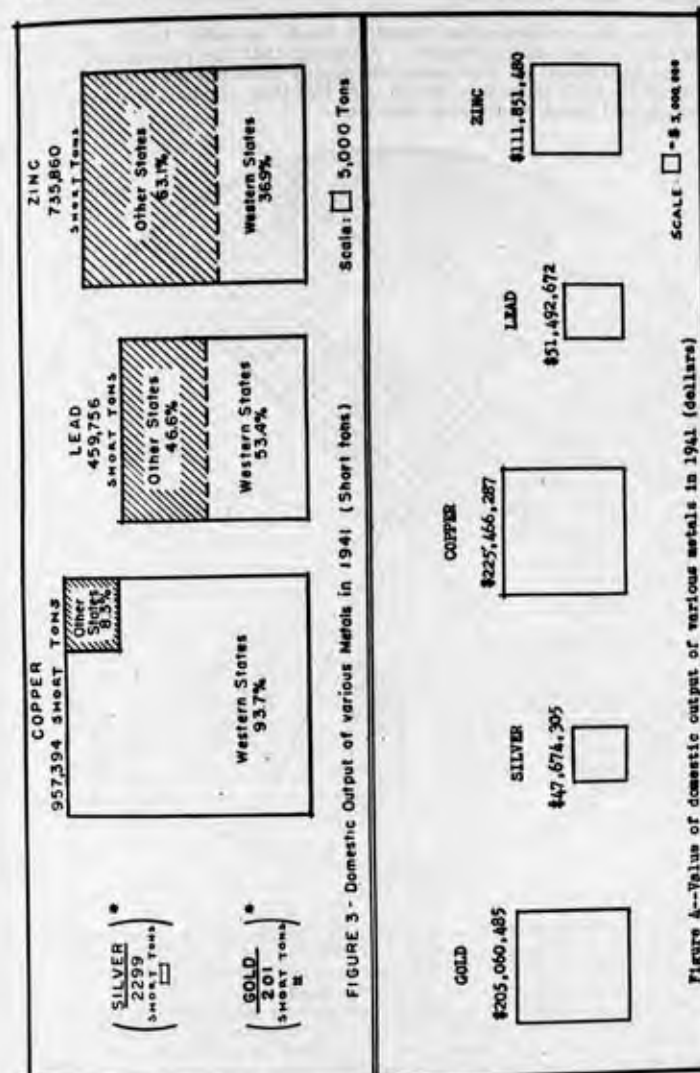


FIGURE 3 - Domestic Output of various Metals in 1941 (Short tons)

Figure 4--Value of domestic output of various metals in 1941 (dollars)

* Over 99.9% of our silver and gold is produced in Alaska, the Philippines and the Western States.

the latter metal released for other purposes would be relatively small. But all of this silver could not be released because this metal has certain essential uses for which there are no adequate substitutes. Its importance in photography is such that the quantities required for this purpose could not be diverted. Moreover, photography is playing an increasingly important role in aerial warfare and hence the demand for silver to meet military needs is growing. The silver used

in solder and in certain chemical processes could not be released for other purposes so only a portion of the annual output would be available as a substitute for copper. The normal distribution of silver according to uses is given in table 3 and this same data is shown diagrammatically in figure 5.

The shaded portion of this diagram represents the nonessential uses of silver, amounting to about 62 percent of the normal annual consumption. This proportion of the silver consumption therefore would probably be the maximum available from our annual production. Assuming that the production of silver in 1941 was distributed on this basis, the supply available as a substitute for copper would be 1,732 short tons, an amount less than one-half of that required for the clocks and watches produced each year.

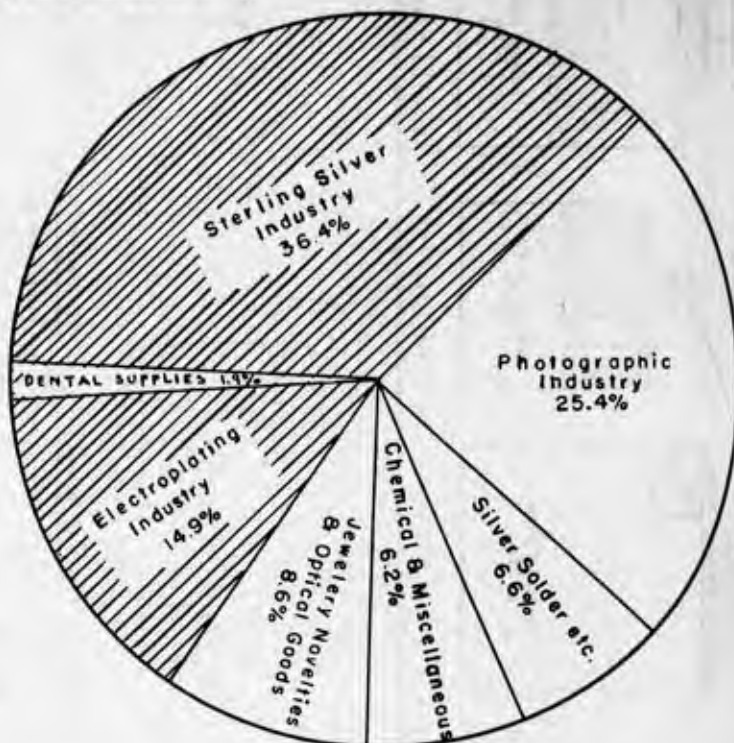


FIGURE 5.

Since silver is a better conductor of electricity than copper, a given quantity of the former would go further when used in certain types of electrical equipment. This additional conductivity of silver, however, is not sufficient to make any great difference in the actual quantity of copper replaced.

The estimated quantities of copper replaceable by silver on the basis of the 1941 production of these two metals is shown diagrammatically in figures 6 and 7. Figure 6 gives the saving of copper when replaced by an equivalent weight of silver, and figure 7 gives the saving when advantage is taken of the additional conductivity of silver.

EFFECT ON COPPER, LEAD, AND ZINC PRODUCTION OF LIMITING MINING AND SMELTING OPERATIONS TO ORES CONTAINING LESS THAN 30 PERCENT OF THEIR VALUE IN FORM OF SILVER AND GOLD

With a view to encouraging the production of copper, lead, and zinc without greatly increasing our output of gold and silver, an order was recently issued by

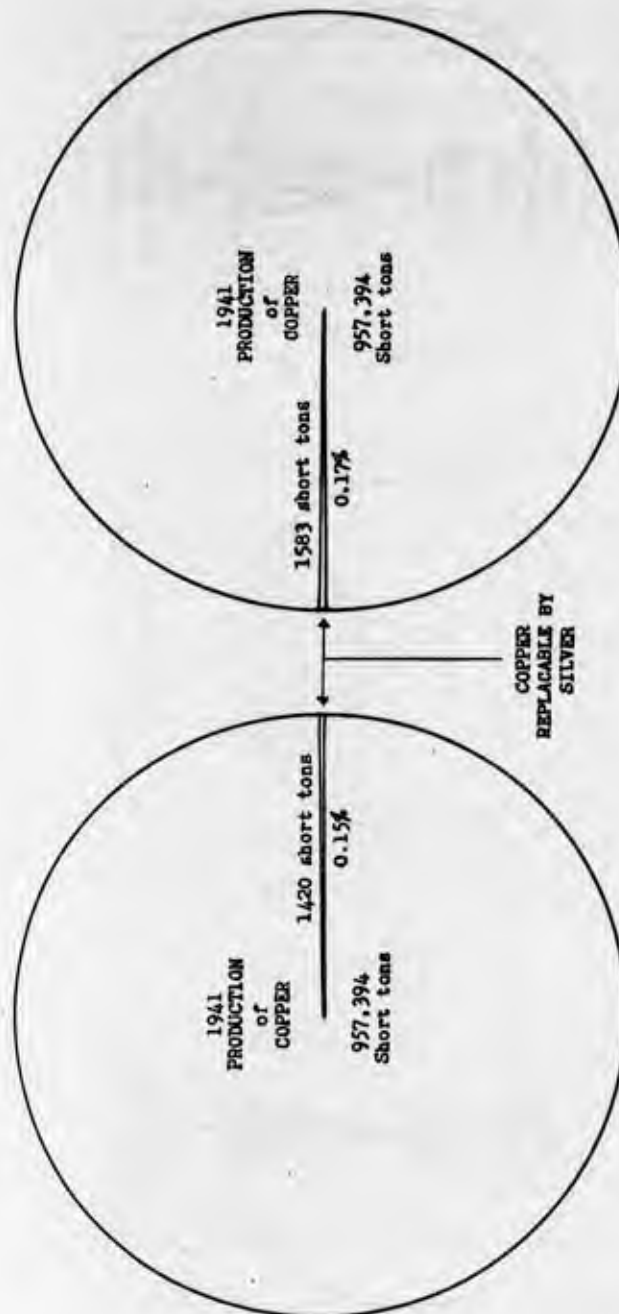


FIGURE 6.

FIGURE 7.

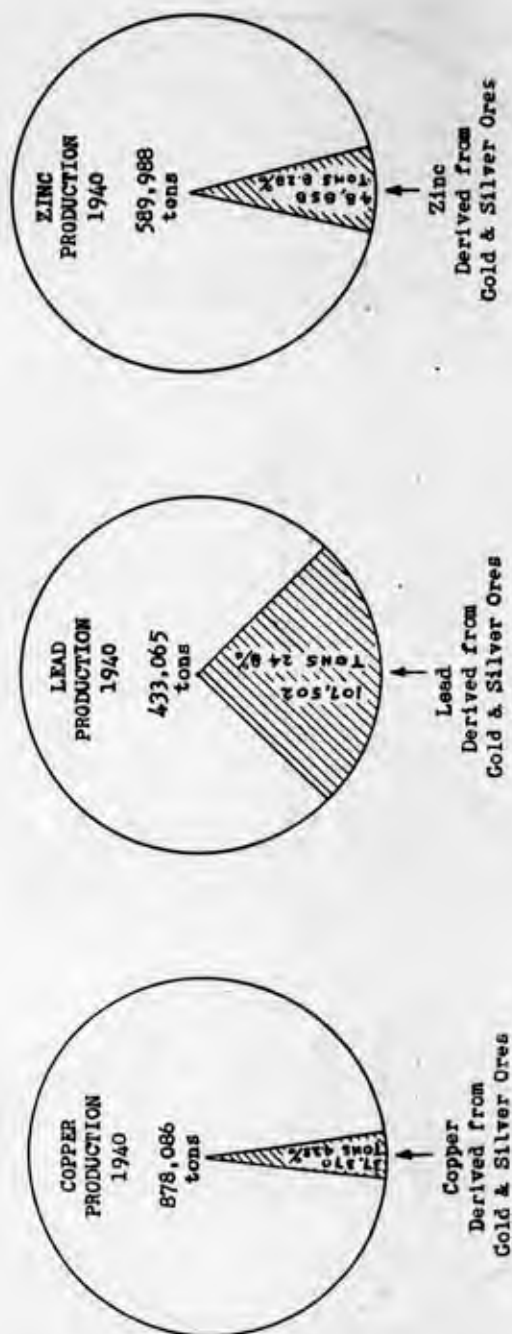


FIGURE 8.

the War Production Board¹ denying equipment priorities to all operating properties producing more than 30 percent in dollar value of gold or silver or both. Companies and operators which come within this classification must present their cases to the War Production Board.

In order to show what effect strict adherence to this regulation would have on our annual output of copper, lead, and zinc from the 11 Western States the following tables and chart have been prepared:²

Table 4 is a summary showing the quantity and value (by States) of copper, lead, and zinc recovered from siliceous gold and silver ores in 1940 and the proportions of our total domestic production of copper, lead, and zinc which these tonnages represent. In figure 8 these same data are given in diagrammatic form.

In tables 5 to 14, inclusive, the quantities and value of all the metals in each type of ore (coming within the classification mentioned above) are given for the individual States. These tables also show what proportion of the total metal value in such ores is represented by the gold and silver content.

These data may be briefly summarized as follows: From these siliceous gold and silver ores (which can only be probably worked if the precious metals are marketed), there were recovered in 1940 the following quantities and values of copper, lead, and zinc: Copper, 37,379 tons, valued at \$7,475,853; lead, 107,502 tons, valued at \$11,262,768; zinc, 48,858 tons, valued at \$6,156,144.

This means that by eliminating ores of this type, our domestic production of these all-important metals in 1940 would have been reduced by the amounts shown above. In terms of percentages of our total annual production of these metals from domestic ores, the reduction in output in 1940 would have been as follows: Copper, 4.25 percent; lead, 24.80 percent; zinc, 8.28 percent.

TABLE I.—Production of gold, silver, copper, lead, and zinc (by States) in 1940

States	Gold	Silver	Copper ¹	Lead	Zinc
	<i>Fine ounces</i>	<i>Fine ounces</i>	<i>Short tons</i>	<i>Short tons</i>	<i>Short tons</i>
Alabama.....	5	3			
Alaska.....	756,964	173,141	55	779	
Arizona.....	290,345	6,129,788	281,169	13,266	15,456
Arkansas.....				55	440
California.....	1,443,889	2,224,590	6,438	1,772	79
Colorado.....	369,075	9,378,408	12,132	11,476	5,060
Georgia.....	966	632	13		
Idaho.....	144,080	17,477,054	3,349	104,814	70,601
Illinois.....		544		1,508	4,818
Indiana.....	5				
Kansas.....				11,927	57,032
Kentucky.....				360	1,278
Michigan.....		90,218	45,198		
Missouri.....		145,190	685	172,052	12,703
Montana.....	273,369	12,152,044	126,391	23,036	52,587
Nevada.....	379,868	5,102,102	78,454		11,833
New Jersey.....					91,491
New Mexico.....	39,210	1,878,102	60,848	5,822	30,313
New York.....	35,745			1,973	35,686
North Carolina.....	1,683	6,390			
Oklahoma.....				21,240	162,935
Oregon.....	113,715	191,820	88	35	
Pennsylvania.....	1,977	14,077			
Philippines.....	1,140,126	1,299,199			
South Carolina.....	12,872	7,907		7	
South Dakota.....	587,160	170,680	6		
Tennessee.....	177	38,947		573	
Texas.....	303	1,294,966	39	205	
Utah.....	332,331	11,680,321	231,864	75,698	43,788
Virginia.....	494	313		2,285	
Washington.....	83,880	389,481		2,555	11,560
Wisconsin.....				445	5,770
Wyoming.....	711	74			
Undistributed.....			12,732		
Total.....	6,003,105	60,585,734	878,086	457,392	665,068

¹ Mine returns.

² Silver production—0.3 percent of weight of copper produced.

³ Preference Ratings orders P-56 and P-56-A, War Production Board (1942).

⁴ Wyoming is not included because of its almost negligible production of such ores.

The above reduction in the output of copper and zinc may appear relatively small, but in terms of work performed by these metals such a reduction would be very serious. For instance, the above quantity of copper is more than equivalent to that used in all the radio sets manufactured in 1940; the lead recovered from such ores was sufficient to cover all the electric cables produced, and the yield of metallic zinc was more than enough for all the galvanized wire and screen manufactured in 1940.

Unless, therefore, we are assured of making up this deficit in such metals from other sources, a curtailment in the production of the ores containing more than 30 percent of their total metal value in the form of gold and silver would be a serious matter and one which requires careful analysis.

TABLE II.—Production of gold, silver, copper, lead, and zinc (by States) in 1941 (preliminary figures, U. S. Bureau of Mines)

States	Gold	Silver	Copper	Lead	Zinc
WESTERN STATES, ALASKA, PHILIPPINES					
Alaska	<i>Fine ounces</i> 690,649	<i>Fine ounces</i> 191,890	<i>Short tons</i> 92	<i>Short tons</i> 696	<i>Short tons</i> 16,000
Arizona	315,000	7,551,000	332,750	10,275	36,000
California	1,411,800	2,147,000	3,905	3,305	36
Colorado	377,503	7,224,487	6,501	12,007	15,000
Idaho	150,000	16,003,000	3,900	103,500	77,000
Montana	246,300	11,304,000	127,500	21,750	55,000
Nevada	372,500	8,780,000	78,810	9,490	14,000
New Mexico	28,460	1,350,308	71,762	4,565	37,940
Oregon	94,600	276,000	99	68	
Philippines	1,109,667	1,207,307			
South Dakota	610,223	106,202			
Texas	325	1,105,913	5	175	
Utah	347,784	11,203,733	262,577	60,435	30,600
Washington	81,569	385,290	8,642	3,660	13,900
Wyoming	482	80	3		
Total	5,830,871	66,523,216	890,346	245,536	271,940
EASTERN STATES					
Alabama	35	4			
Georgia	300	34			
New Jersey					95,000
New York		36,000		2,100	38,200
North Carolina	3,117	6,861			
Pennsylvania	2,675	17,000			
South Carolina	15,400	6,051			
Tennessee	228	30,177		19	33,000
Virginia	245	135		3,381	22,900
Total	22,000	105,282	13,453	5,500	100,000
CENTRAL STATES					
Arkansas				4	100
Illinois				2,250	7,000
Indiana		18,900			
Kansas				13,975	67,000
Kentucky				280	600
Michigan		54,000			
Missouri		351,000		166,271	30,900
Oklahoma				25,200	100,000
Wisconsin				750	7,500
Total		423,900	47,595	208,730	273,900
Grand total	5,858,871	67,052,499	957,394	459,756	715,940

TABLE III.—Normal distribution of silver consumption by industrial uses (percent of weight)

	Percent
Sterling silver industry	36.4
Photographic industry	25.4
Electroplating industry	14.9
Jewelry, optical goods and novelty industry	8.6
Chemical industry (exclusive of electroplating)	6.0
Silver solder and other industrial uses	6.6
Dental suppliers	1.9
Miscellaneous consumption	0.2
Total	100.0

TABLE IV.—Summary showing quantity and value of lead, copper, and zinc recovered in 1940 from ores containing 30 percent or more of their total metal value in form of gold and silver

	Copper		Lead		Zinc		Total value
	Pounds	Value	Pounds	Value	Pounds	Value	
Arizona	998,773	\$98,877	6,118,178	\$255,900			\$354,780
California	12,874,300	1,287,420	3,502,600	175,310	52,000	\$3,276	1,465,826
Colorado	24,304,000	2,430,401	22,932,000	1,147,601	10,113,481	637,149	4,215,151
Idaho	5,407,838	540,785	24,211,642	1,210,582			1,751,367
Montana	1,235,671	123,567	14,880,055	731,202			\$54,799
Nevada	436,900	45,690	2,692,100	134,605			180,265
New Mexico	101,766	10,177	713,789	35,688			45,865
Oregon	176,000	17,600	70,000	3,500			21,100
Utah	9,990,393	999,039	141,337,357	7,566,862	87,551,100	5,515,719	14,081,630
Washington	19,222,977	1,922,297	36,836	1,689			1,925,086
Total	74,758,618	7,475,833	215,004,537	11,262,768	97,716,581	6,156,144	34,894,765

	Percent
Proportion of copper from domestic ore thus affected	4.25
Proportion of lead from domestic ore thus affected	34.80
Proportion of zinc from domestic ore thus affected	8.28

Copper at \$0.10 per pound; lead at \$0.05 per pound; zinc at \$0.063 per pound.
Prepared by Industrial West Foundation from data by U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

TABLE V.—*Arizona: Ore sold or treated in Arizona in 1940, with content in terms of recovered metals*

	Gold		Silver		Copper		Lead		Zinc		Total value of metal in each type of ore	Gold and silver—proportion of total value (percent)
	Ounces	Value	Ounces	Value	Pounds	Value	Pounds	Value	Pounds	Value		
Dry and siliceous—												
Gold ore.....	120,908	\$4,547,830	210,312	\$146,322	344,107	\$33,411	3,979,458	\$198,973	.....	.....	\$4,929,536	85
Gold and silver ore.....	13,960	478,100	370,383	404,938	433,072	43,307	998,109	49,863	.....	.....	575,273	90
Silver ore.....	863	30,205	597,643	424,327	221,594	22,180	140,011	7,031	.....	.....	483,752	94
Total.....	144,461	5,056,135	1,378,318	978,607	988,773	98,877	5,118,178	255,909	.....	.....	6,389,528	94

Gold, \$35 per ounce; silver, \$0.71 per ounce; copper, \$0.10 per pound; lead, \$0.05 per pound; zinc, \$0.063 per pound.
Prepared by Industrial West Foundation from data of U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

TABLE VI.—*California: Ore and old tailings sold or treated in California in 1940, with content in terms of recovered metals*

	Gold		Silver		Copper		Lead		Zinc		Total value of metal in each type of ore	Gold and silver—proportion of total value (percent)
	Ounces	Value	Ounces	Value	Pounds	Value	Pounds	Value	Pounds	Value		
Dry and siliceous—												
Gold ore.....	712,395	\$3,561,975	1,211,052	\$859,847	344,900	\$34,490	111,000	\$5,880	.....	.....	\$4,461,892	98.8
Gold and silver ore.....	19,519	683,165	591,631	620,092	14,500	1,450	4,300	210	.....	.....	1,104,917	99.8
Silver ore.....	274	9,580	108,573	78,966	12,370	12,370	163,700	8,185	.....	.....	1,000,067	78.1
Copper ore.....	16,669	583,415	291,917	207,259	12,326,100	1,232,610	81,000	4,090	.....	.....	2,027,334	36.0
Lead ore.....	1,860	65,100	93,719	68,555	65,100	6,500	3,142,100	157,105	.....	.....	255,290	44.6
Total.....	750,717	4,993,245	2,294,928	1,825,419	12,874,300	1,287,420	3,492,000	175,130	.....	.....	7,998,490	81.7

Gold, \$35 per ounce; silver, \$0.71 per ounce; copper, \$0.10 per pound; lead, \$0.05 per pound; zinc, \$0.063 per pound.
Prepared by Industrial West Foundation from data of U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

TABLE VII.—*Colorado: Ore sold or treated in Colorado in 1940 with content in terms of recovered metal*

	Gold		Silver		Copper		Lead		Zinc		Total value of metal in each type of ore	Gold and silver—proportion of total value (percent)
	Ounces	Value	Ounces	Value	Pounds	Value	Pounds	Value	Pounds	Value		
Dry and siliceous—												
Gold ore.....	292,820	\$10,240,050	736,288	\$522,772	1,059,775	\$105,978	4,912,272	\$245,614	.....	.....	\$11,123,414	96.8
Gold and silver ore.....	7,106	251,800	262,554	279,313	145,635	14,564	1,304,770	60,259	.....	.....	305,970	85.0
Silver ore.....	1,020	35,700	918,320	652,007	43,673	4,367	1,921,921	84,595	.....	.....	776,670	88.5
Copper ore.....	30,331	1,061,585	6,803,877	21,254,198	2,125,420	2,125,420	2,822,032	141,142	.....	.....	8,131,877	72.0
Lead ore.....	1,854	64,890	291,905	207,259	12,370	12,370	2,065,766	104,788	.....	.....	278,368	71.9
Lead-copper ore.....	45	1,573	16,630	11,827	5,447	5,447	264,724	14,787	.....	.....	33,836	60.0
Zinc-lead ore.....	17,090	397,100	725,487	515,066	1,731,470	173,147	9,928,696	496,435	.....	.....	2,213,927	41.1
Total.....	350,326	12,661,760	9,707,671	6,891,997	24,304,000	2,430,401	22,952,000	1,147,001	.....	.....	37,168,008	81.8

Gold, \$35 per ounce; silver, \$0.71 per ounce; copper, \$0.10 per pound; lead, \$0.05 per pound; zinc, \$0.063 per pound.
Prepared by Industrial West Foundation from data of U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

TABLE VIII.—*Idaho: Ore sold or treated in Idaho in 1940 with content in terms of recovered metal*

	Gold		Silver		Copper		Lead		Zinc		Total value of metal in each type of ore	Gold and silver—proportion of total value (percent)
	Ounces	Value	Ounces	Value	Pounds	Value	Pounds	Value	Pounds	Value		
Dry and siliceous—												
Gold ore.....	67,243	\$2,333,905	217,516	\$154,436	154,806	\$15,480	364,721	\$13,206	.....	.....	\$2,536,867	98.8
Gold and silver ore.....	6,226	211,010	10,757,738	7,659,396	4,432,035	443,203	1,479,729	4,797	.....	.....	4,111,039	98.5
Silver ore.....	652	22,520	17,762	12,611	695,365	69,537	1,549	77	.....	.....	8,403,113	82.9
Copper ore.....	597	20,800	867,066	615,617	110,134	11,013	22,183,303	1,109,165	.....	.....	1,758,825	36.3
Lead ore.....	658	23,000	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total.....	75,376	2,638,155	12,154,303	8,629,555	5,407,838	540,785	24,211,642	1,210,382	.....	.....	13,019,077	96.3

Gold, \$35 per ounce; silver, \$0.71 per ounce; copper, \$0.10 per pound; lead, \$0.05 per pound; zinc, \$0.063 per pound.
Prepared by Industrial West Foundation from data of U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

TABLE IX.—*Montana: Ore sold or treated in Montana in 1940 with content in terms of recovered metal*

	Gold		Silver		Copper		Lead		Zinc		Gold and silver—proportion of total value (percent)
	Ounces	Value	Ounces	Value	Pounds	Value	Pounds	Value	Pounds	Value	
Dry and siliceous:											
Gold ore.....	167,196	\$5,851,510	459,052	\$325,926	215,113	\$21,511	617,767	\$43,088	.....	.....	98.9
Gold and silver ore.....	11,230	303,030	881,541	625,894	244,049	34,466	653,521	31,676	.....	.....	94.7
Silver ore.....	3,483	106,855	1,571,060	1,115,452	745,514	74,551	1,892,280	94,614	.....	.....	80.8
Lead ore.....	3,056	106,260	262,996	198,727	30,085	3,009	11,236,487	561,824	.....	.....	34.2
Total.....	185,205	6,457,675	3,174,649	2,253,999	1,235,671	125,567	14,380,053	731,202	.....	.....	91.1

Gold, \$35 per ounce; silver, \$0.71 per ounce; copper, \$0.10 per pound; lead, \$0.05 per pound; zinc, \$0.063 per pound.
Prepared by Industrial West Foundation from data of U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

TABLE X.—*Nevada: Ore and old tailings sold or treated in Nevada in 1940, with content in terms of recovered metal*

	Gold		Silver		Copper		Lead		Zinc		Gold and silver—proportion of total value (percent)
	Ounces	Value	Ounces	Value	Pounds	Value	Pounds	Value	Pounds	Value	
Dry and siliceous:											
Gold ore.....	238,220	\$8,337,700	675,255	\$481,561	73,200	\$7,320	65,500	\$3,275	.....	.....	90.8
Gold and silver ore.....	39,342	1,376,970	1,910,417	1,356,396	334,900	33,490	301,400	19,570	.....	.....	90.9
Silver ore.....	5,716	200,060	1,274,948	905,213	18,400	1,840	219,100	10,953	.....	.....	90.9
Lead ore.....	1,118	39,130	255,396	167,131	32,400	3,240	2,016,100	100,883	.....	.....	62.4
Total.....	284,396	9,953,860	4,099,016	2,910,301	455,900	45,600	2,692,100	134,605	.....	.....	98.6

Gold, \$35 per ounce; silver, \$0.71 per ounce; copper, \$0.10 per pound; lead, \$0.05 per pound; zinc, \$0.063 per pound.
Prepared by Industrial West Foundation from data of U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

TABLE XI.—*New Mexico: Ore sold or treated in New Mexico in 1940 with content in terms of recovered metals*

	Gold		Silver		Copper		Lead		Zinc		Gold and silver—proportion of total value (percent)
	Ounces	Value	Ounces	Value	Pounds	Value	Pounds	Value	Pounds	Value	
Dry and siliceous—											
Gold ore.....	4,895	\$171,325	15,051	\$11,325	59,975	\$5,998	67,710	\$3,386	.....	.....	93.1
Gold and silver ore.....	14,245	498,575	775,228	550,412	10,048	1,005	78,867	3,943	.....	.....	90.0
Silver ore.....	12	420	13,156	9,340	5,226	522	50,000	2,500	.....	.....	76.4
Lead ore.....	865	17,675	15,454	9,517	26,517	2,652	817,192	25,859	.....	.....	48.8
Total.....	19,657	687,995	817,739	580,594	101,766	10,177	713,769	35,688	.....	.....	94.3

Gold, \$35 per ounce; silver, \$0.71 per ounce; copper, \$0.10 per pound; lead, \$0.05 per pound; zinc, \$0.063 per pound.
Prepared by Industrial West Foundation from data of U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

TABLE XII.—*Oregon: Ore and old tailings sold or treated in Oregon in 1940, with content in terms of recovered metals*

	Gold		Silver		Copper		Lead		Zinc		Gold and silver—proportion of total value (percent)
	Ounces	Value	Ounces	Value	Pounds	Value	Pounds	Value	Pounds	Value	
Dry and siliceous—											
Gold ore.....	40,626	\$1,421,700	140,487	\$99,745	131,560	\$13,156	25,700	\$1,285	.....	.....	92.0
Gold and silver ore.....	1,193	41,755	62,965	44,705	14,000	1,400	43,000	2,150	.....	.....	94.1
Copper ore.....	6	190	2,096	1,914	30,100	3,010	.....	.....	.....	.....	41.0
Lead ore.....	8	190	169	120	100	10	1,300	65	.....	.....	75.4
Total.....	41,825	1,463,835	204,817	146,485	176,000	17,600	70,000	3,500	.....	.....	96.7

Gold, \$35 per ounce; silver, \$0.71 per ounce; copper, \$0.10 per pound; lead, \$0.05 per pound; zinc, \$0.063 per pound.
Prepared by Industrial West Foundation from data of U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

TABLE XIII.—Utah: Ore sold or treated in Utah, with content in terms of recovered metal

	Gold		Silver		Copper		Lead		Zinc		Total value of metal in each type of ore	Gold and silver—proportion of total value (percent)
	Ounces	Value	Ounces	Value	Pounds	Value	Pounds	Value	Pounds	Value		
Dry and siliceous—												
Gold ore	54,881	\$1,920,535	118,265	\$93,908	663,974	\$56,307	337,194	\$17,860			\$2,080,000	95.9
Gold and silver ore	29,990	1,057,635	1,057,635	750,947	1,304,553	130,465	3,864,286	193,214			1,913,261	83.8
Silver ore	174,886	1,174,886	1,856,548	1,318,362	2,544,605	254,461	7,775,175	388,759			2,136,442	90.9
Lead ore	7,690	269,130	1,061,774	733,860	45,425	45,425	10,060,728	803,006			1,871,669	84.1
Lead-copper ore	58	2,030	171,646	121,869	502,193	50,219	4,438,625	221,631			396,049	31.3
Zinc-lead ore					4,518,543	433,854	118,841,249	5,942,062	87,531,100	\$5,515,719	17,425,399	31.6
Zinc-lead-copper ore	40,477	1,415,095	5,773,336	4,099,069								
Total	132,023	4,622,205	10,039,541	7,128,075	9,900,393	990,039	141,337,357	7,566,862	87,531,100	4,515,719	35,831,900	45.5

Gold, \$35 per ounce; silver, \$0.71 per ounce; copper, \$0.10 per pound; lead, \$0.05 per pound; zinc, \$0.083 per pound.
Prepared by Industrial West Foundation from data of U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

TABLE XIV.—Washington: Ores sold or treated in Washington in 1940, with content in terms of recovered metals

	Gold		Silver		Copper		Lead		Zinc		Total value of metal in each type of ore	Gold and silver—proportion of total value (percent)
	Ounces	Value	Ounces	Value	Pounds	Value	Pounds	Value	Pounds	Value		
Dry and siliceous—												
Gold ore	27,682	\$968,670	111,619	\$79,250	350,000	\$35,000	932	\$60			\$1,083,180	96.7
Gold and silver ore	138	5,430	5,239	3,820	1,381	138	3,063	195			10,163	90.7
Silver ore	20	700	13,432	9,663	6,034	603	22,013	1,425			16,270	90.8
Copper ore	51,529	1,893,515	218,861	155,391	18,864,662	1,886,460	22,178	9			3,845,381	50.9
Total	79,389	2,778,515	345,665	292,523	19,222,977	1,922,297	26,836	1,689			4,953,039	67.2

Gold, \$35 per ounce; silver, \$0.71 per ounce; copper, \$0.10 per pound; lead, \$0.05 per pound; zinc, \$0.083 per pound.
Prepared by Industrial West Foundation from data of U. S. Geological Survey, U. S. Bureau of Mines, and State bureaus of mines.

THE CHAIRMAN. The committee will not adjourn; it will stand in recess subject to the call of the chairman. I cannot now say when it will be reconvened, but it will be reconvened at any time the committee has some business to transact.

Senator McCARRAN. May I express my personal sincere gratitude to Dr. Nelson, Mr. Batt, Mr. Knowlson, and the others who have come here with them for their attendance at these meetings and for the happy manner in which they have cooperated in the meetings and for their general attitude toward the problems which we have tried to present.

Representative CHENOWETH. May I inquire if there will be a time when persons who desire to make statements but cannot appear may submit briefs?

THE CHAIRMAN. Yes. I will say now that if anyone who is present would like to submit something for the consideration of the committee, we will welcome it. Send it to either Senator McCarran or myself.

Representative CHENOWETH. You are not fixing any time limit on that?

THE CHAIRMAN. Well, like this war, this matter will probably run for a good while. Like the Government, it will probably go on for a good while. So, this committee, as long as the Senate sees fit to keep it alive, will remain alive.

Representative ENGLEBRIGHT. I should like to file a statement for the record.

THE CHAIRMAN. Without objection I will state for the committee that the committee will welcome your statements and suggestions.

Representative ENGLEBRIGHT. May I add just a further word? I take Dr. Nelson's statement in his modification of the order of March 2 to mean this: that the gold-mining industry is an industry that is entitled to survive; that he is now placing it in the category of industries that have that right—an industry that can survive.

Representative WHITE. Is there any limit to the time in which a statement may be submitted for printing in the hearings?

THE CHAIRMAN. Well of course, there would be a limit, Congressman White, but a reasonable time will be allowed before the statements are made ready for the printer.

What disposition will be made of the transcript when it is prepared will be subject to the decision of the committee. I do not know what the committee will see fit to do with it, but I will say, speaking for myself and, I am sure, for the committee, that we will welcome statements made by those who are interested, and they will be placed in the record and considered in connection with the printed transcript.

I want to reiterate the statement made by Senator McCarran: that we thank all of you gentlemen for attending and participating in this conference. I am sure all of us will agree it has been most helpful, and I am glad we have made the progress we have.

The committee will stand in recess subject to the call of the chairman.

(At 12:42 p. m. the hearing was concluded, and the committee stood in recess subject to the call of the chairman.)

INDUSTRIAL USE OF SILVER

THURSDAY, MAY 28, 1942

UNITED STATES SENATE,
SPECIAL SILVER COMMITTEE,
Washington, D. C.

The Special Silver Committee met at 10:30 a. m., pursuant to call, in room 424, Senate Office Building, Senator Pat McCarran presiding.

Present: Senators McCarran (presiding), Johnson of Colorado, and Thomas of Idaho; and Albert A. Grorud, secretary to the committee.

Present also: Senators Wheeler, Hayden, Murdock, Clark of Idaho, Bulow, Wiley, Langer, Holman and Millikin; Representatives White, Chenoweth, Lewis, and Murdock.

Present also: Hon. Henry Morgenthau, Jr., Secretary of the Treasury, accompanied by Edward H. Foley, Esq., General Counsel, and Dr. Harry D. White, Director of Monetary Research; Hon. Jesse H. Jones, Secretary of Commerce; Hon. Donald M. Nelson, Chairman, War Production Board; Mr. James A. White, Director, Rocky Mountain Metals Foundation, Washington, D. C.; and Mr. William Broadgate, representing Small Mine Operators' Association of the State of Arizona.

Senator McCARRAN (presiding). The committee will come to order.

For the benefit of those who came in after I made my preliminary statement, it may be said that this group was called together pursuant to a telephonic call that I had from Secretary Morgenthau, in which he stated that, in keeping with an understanding that we had when we last met, he would like to discuss again with us the matter of silver and silver legislation. With that in mind, I called together all those who are or might be interested in this particular subject.

Mr. Morgenthau, we will be glad to hear from you.

STATEMENT OF HON. HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY

Mr. MORGENTHAU. Mr. Chairman and gentlemen: The reason I am here is this: Mr. Nelson feels that he needs more silver than the amount that we feel we can give him under the existing laws. He will explain why he wants it and for what purposes he wants to use it.

As I explained to you when I was here the last time, we were about to conclude an arrangement through the Defense Plant Corporation, under Mr. Jones, to lend up to some 40,000 tons of silver. I use tons because that is the language that is now used in talking about silver. Mr. Nelson wants an amount over and above that.

We have in the Treasury, in round figures, about 100,000 tons. There are about 47,000 tons of so-called free silver, leaving the balance of the silver behind outstanding currency.

That is a very brief picture of the Treasury's position. I think Mr.

Nelson will explain to you why he wants this, and the picture will then unfold itself.

Senator WHEELER. You propose to lend the 40,000 tons?

Mr. MORGENTHAU. That is, as I understand it, our arrangement with the Defense Plant Corporation, of which Mr. Jones is the head. We lent to the Defense Plant Corporation, under a ruling of the Attorney General, some 40,000 tons, which the Defense Plant Corporation guarantees the Treasury it will return to us.

Senator WHEELER. Why could you not lend 80,000 tons, or an extra 40,000?

Mr. MORGENTHAU. My general counsel feels that we cannot. That is why we are here.

Senator WHEELER. Why not?

Mr. MORGENTHAU. May Mr. Foley explain that?

Senator McCARRAN. Certainly.

Mr. FOLEY. Senator Wheeler, what we propose to lend Mr. Jones calls for the use of the free silver; the rest of the silver is behind the silver certificates. We feel that without some authority from Congress we should not take the silver that is behind the circulating certificates.

Senator McCARRAN. What do you mean by "free silver"?

Mr. FOLEY. I mean silver that has not been put behind the certificates.

Senator McCARRAN. You have not much of that, have you, in the Treasury?

Mr. FOLEY. There are approximately 47,000 tons of that.

Senator McCARRAN. Against which currency has not been issued?

Mr. FOLEY. That is right.

Senator McCARRAN. You have other silver besides that, do you not? What you are speaking of is really the seigniorage silver?

Mr. FOLEY. That is silver that has not been monetized. It could be called the seigniorage silver. We feel that to take the silver that has been put behind the certificates that are circulating as money and to lend it to Mr. Jones for nonconsumption uses would require some affirmative grant of power from Congress, since it is part of our money.

Senator WHEELER. You have not anything behind the rest of the money, have you?

Mr. FOLEY. Well, I think that this is a rather novel use for the silver that is behind the certificates that we are circulating as money and that Congress should tell us to what use it should be put.

Senator WHEELER. Then, what I understand you to want is some law that will permit you to use the silver that is behind the silver certificates for lending to the Defense Plant Corporation?

Mr. FOLEY. That, as I understand it, is part of Mr. Nelson's proposal.

Senator MURDOCK. Mr. Chairman—

Senator McCARRAN. Yes, Senator Murdock.

Senator MURDOCK. If that is the only question confronting the Treasury, the War Production Board, and the Defense Plant Corporation, why could it not be handled by merely suspending redemption in silver during the period of the emergency?

Senator McCARRAN. I wonder if it would not be well for us to

hear Mr. Nelson, first, and then to discuss the subject at large. I think perhaps the story would unfold better.

Mr. Nelson, will you kindly give us your statement on this?

STATEMENT OF DONALD M. NELSON, CHAIRMAN, WAR PRODUCTION BOARD

Mr. NELSON. Mr. Chairman, our present production of war matériel is, in my opinion, limited only by the materials that we have to make things out of. We have plenty of facilities in the United States to produce practically anything we want and in practically any quantity, limited only by our materials, and that goes today down even to wood. Wood is scarce at the present time. But of the items that are most important, copper is one of the most important single items of which we are limited in quantity. We are, of course, supplying copper to all of the United Nations. Copper is used for a wide variety of things, the principal one being ammunition; and in this war, with so many airplanes, so many machine guns, and so many rapid-firing rifles, the quantities of ammunition that we need are perfectly staggering and take an immense amount of copper.

Also, of course, we use copper for producing some of the other very important things we need, such as aluminum, chlorine, or magnesium. A great amount of copper is used in bus bars for the conduction of electricity. It occurred to us that we could borrow silver from the Treasury in order to replace the copper and have the copper to use for ammunition. We took the matter up with the Secretary, and he worked it out so that we could use free silver, which we have loaned to Mr. Jesse Jones to put into the defense plants as bus bars, therefore replacing more than an equivalent amount of copper, because silver is a better conductor.

Senator WILEY. You will put it into defense plants for what?

Mr. NELSON. As bus bars. I think we will use up in that way the whole 40,000 or 45,000 tons that the Secretary has in the Treasury. Indeed, that silver will be comparatively safe, with about 30,000 volts of electricity going through it; and being in the form of very large bars hanging from the ceiling, it can readily be guarded. There will be very little trouble about its return when this war is over and it can be replaced with copper.

Senator McCARRAN. It is not likely to be taken with high voltage passing through it.

Mr. NELSON. No, sir; it is not likely to be taken when 30,000 volts are going through it.

We have another problem facing us, and that is in connection with the making of synthetic rubber. We are keenly and eagerly following every process for making butadiene, which is one of the principal constituents of synthetic rubber. In making butadiene from grain, you catalyze alcohol. You make alcohol from the grain, run it through a catalyzer, and then through a condenser made of rubber. It may take large amounts of copper in order that this thing may be done quickly. We should like, if possible, to get from the Secretary more silver in case we need it. We are investigating all methods of making synthetic rubber. As you know, it can be made from petroleum, it can be made from grain alcohol, which is ethyl alcohol, it can be

made from butyl alcohol, and it can be made from various other processes.

You spoke about Seagram's. We are authorizing for them a pilot plant for them to make butadiene out of ethyl glycol under a method worked up by the Department of Agriculture in conjunction with Seagram's. That is a few months away. But that may also be a good or better or cheaper way of making it.

Of course, it is time that is the principal element in this whole synthetic rubber picture. We want to use the process that will get it for us the quickest. If it becomes necessary to use ethyl alcohol and to use copper in connection with the conversion of ethyl alcohol into butadiene, we should like permission to borrow this silver again for making these coils out of it. We are making experiments to see if there is any reaction of heated gases to silver. It looks entirely possible at the present moment, but we are not entirely sure of it. But we want to have permission, if we need copper, to substitute silver for the copper in these condensing tubes in the conversion of grain alcohol into butadiene.

That, sir, is the story.

Senator McCARRAN. At the present time, as I understand it, tentative permission has been granted by an opinion of the Attorney General by which 40,000 tons could be turned over to you by the Treasury?

Mr. NELSON. That is right, sir.

Senator McCARRAN. Of which only about 13,000 tons have been turned over up to date?

Mr. NELSON. That is right, sir.

Senator McCARRAN. Leaving a balance of some 20,000 tons yet to be turned over?

Mr. NELSON. That is right, sir.

Senator McCARRAN. Is it in excess of that?

Mr. NELSON. It is in excess of the 40,000 tons; sir.

Senator McCARRAN. The minimum requirements of the United States in all lines, both manufacturing and arts and sciences, are about 230,000,000 ounces of silver. That is the average annual requirement. The over-all maximum requirements are about 445,000,000 ounces of silver, that being for the currency and for the arts and sciences.

My recollection of our intake, Mr. Secretary—and will your experts check me on this, please?—of silver from all sources for the last year or so has not been in excess of something like 140,000,000 or 150,000,000 ounces? Am I correct or nearly correct in that?

Mr. NELSON. I have 6,200 tons.

Senator McCARRAN. You are dealing in tons; I was dealing in ounces. The question is, Are we acquiring silver as rapidly as we could acquire silver under existing law? Can we not acquire more domestic silver, for instance, by a more encouraging and conducive price for domestic silver and thus produce more silver domestically? Again, can we acquire more silver from abroad if we purchase more silver? Can we raise the world price of silver? It is 35 now. In place of freezing it at 35, as Mr. Henderson has—or at approximately 35—can we take off that ceiling and thus find silver coming to us and not have to disturb the existing laws?

Let me say to you frankly—and I am now speaking personally—

that I am very jealous in watching anything that will attempt to disturb the existing monetary system or the existing laws on silver.

STATEMENT OF MR. MORGENTHAU—Resumed

Mr. MORGENTHAU. We estimate the production of U. S. silver to be 62,000,000 ounces, or an equivalent of 2,123 tons, and our imports will be, we estimate, 120,000,000 ounces, or the equivalent of 4,110 tons for the year 1942.

Senator JOHNSON of Colorado. The last figure is for the imports?

Mr. MORGENTHAU. The last figure is for the imports.

Senator JOHNSON of Colorado. The first was domestic?

Mr. MORGENTHAU. Yes, sir.

Senator HAYDEN. The imports are about twice the domestic production?

Mr. MORGENTHAU. Yes, sir.

Senator THOMAS of Idaho. Is that the maximum amount of imports you might be able to acquire?

Mr. MORGENTHAU. I would not say that, but I think we are getting about all that we can get, because in the silver purchase program that we have followed, now, since 1934 we have, I think, mopped up most of the silver of the world that is salable or for sale.

Representative WHITE. Mr. Chairman, may I ask the Secretary a few questions?

Senator McCARRAN. Yes, Congressman White.

Representative WHITE. Secretary Morgenthau, in operating the Treasury's fiscal policy in dealing with silver, it averages out that the total volume of silver costs about 50 cents an ounce, averaging the price paid for foreign silver and domestic silver?

Mr. MORGENTHAU. Over what period, Mr. White?

Representative WHITE. Since you started purchasing under the act of 1934. I have the seigniorage figures before me, taken from the bulletin of March.

Mr. MORGENTHAU. I understand my men to say that that is approximately correct. You most likely have it.

Representative WHITE. Could you give the committee just about the average cost of all the silver you have bought, that is now on hand, both for the silver certificates outstanding and the silver that you call free silver over in the Treasury?

Mr. MORGENTHAU. Yes, I have that right here. Had I better talk in ounces?

Senator McCARRAN. I think it would be more understandable.

Mr. MORGENTHAU. I can give it in both ways. The silver in the Treasury as of April 30 was 2,900,000,000 ounces, or 99,438 short tons.

Silver coinage in circulation outside the Treasury, like silver dollars and subsidiary silver coin, was 409,000,000 ounces, the equivalent of 14,018 tons.

That made a total of silver owned by the Treasury and coinage in circulation of 3,309,500,000 ounces, the equivalent of 113,456 tons.

Senator McCARRAN. That is the total amount of silver owned by the Treasury, both in and out?

Mr. MORGENTHAU. Yes.

Representative WHITE. But under date of April 30, 1942, according to your circulation statement, you had outstanding in silver certificates

\$1,964,527,420. Also, you had silver dollars to the amount of \$63,465,132. That was at the rate of \$1.29 cents an ounce?

Mr. MORGENTHAU. Yes.

Representative WHITE. You had on hand this silver that you mentioned, and if you balance what you received for silver in circulation and silver dollars with what you have on hand, it averages about 50 cents an ounce?

Mr. MORGENTHAU. I agreed with you; yes.

Representative WHITE. You have on hand quite a volume of free silver. According to your statement which came in this morning, I find that it is carried as 1,360,000,000 ounces. Going back to April 20, I found the amount was 1,364,000,000. So, as against the 1,360,000,000 ounces, there is a decrease there. Is that accounted for by the 13,000 tons you have disposed of?

Mr. MORGENTHAU. No; there is a little misunderstanding somewhere. We actually have not yet turned over any silver.

Representative WHITE. Well, you have moved out of the Treasury stocks, silver to the amount of 4,000,000 ounces, according to your own figure.

Mr. MORGENTHAU. Whatever it is, we shall be glad to furnish it to the committee; but, to my mind, that has nothing to do with silver going to the Defense Plant Corporation.

Representative WHITE. I believe you are asking for legislation authorizing you to move certain idle stocks of silver. The figures in your statements coming out from time to time develop that you are moving it. It fluctuates, and I was told 3 months ago that the diminishing figures indicated the quantity of silver revalued in the general fund represented that you had moved or disposed of. If you take the two figures, the figures for April 20 and those in this morning's statement, they show a difference of 4,000,000 ounces that you have disposed of or by which you have reduced stocks.

Mr. MORGENTHAU. The slight movement of silver from one category to another is due to the fact that more coinage is required. When coinage is required for a quantity of silver quarters, that will take the silver from one category and place it in another.

Representative WHITE. Would the coinage of minor coins account for that reduction of stocks?

Mr. MORGENTHAU. I am sure that you will find, after we have given you an explanation of these items, that there has not been any diminution in the monetary situation.

Senator JOHNSON of Colorado. Why can we not go ahead and get the statements from our guests this morning, first.

Senator McCARRAN. I understood that Mr. Nelson had not finished.

Representative WHITE. I am a member of the Coinage and Weights Committee of the House. I had quite a little to do with the passage of the Gold Revaluation Act. I think that this is pertinent to the issue.

Senator JOHNSON of Colorado. I should like to know what the proposal is.

Representative WHITE. Well, I should like to ask one or two more questions; then I will yield.

Senator McCARRAN. Go ahead.

Representative WHITE. Could not this idle silver be used as money by issuing silver certificates against it?

Mr. MORGENTHAU. Yes.

Representative WHITE. There is nothing in the law to prevent it?

Mr. MORGENTHAU. No.

Representative WHITE. Has the Treasury any definite reason for not using that silver?

Mr. MORGENTHAU. Mr. Chairman, if you want to go into the whole Treasury policy on silver and why we have not issued silver certificates, I shall be delighted to do it, while I am here. We are not hiding 4,000,000 ounces by taking it from one pocket and placing it in another; it is all accounted for. If you want to go into the whole monetary policy on silver, I will stay here until I can, at least, answer every question that every member of the committee has.

But if you are interested in the terrible situation that we are up against and why we cannot assist Mr. Nelson in prosecuting the war, by lending to him, through Mr. Jones, the silver that he needs as a substitute for copper, then, if you do not mind my saying so, I think that is another proposition.

Senator McCARRAN. May I state what my views are?

Mr. NELSON. I have one more thing that I should like to say.

Representative WHITE. At this juncture, I should like to make apology to the Secretary for having put a question that may be disturbing; but the question is, as I understand it, the disposition of this silver, because we have idle silver, all of which has been acquired under provisions of the Silver Purchase Act of 1935 and the Silver Act of 1939.

Mr. MORGENTHAU. You do not owe me any apology, Congressman White.

Representative WHITE. I will ask a direct question: Is it a fear of inflation that causes the failure to use the silver as money?

Mr. MORGENTHAU. No. We have never done it. We have never issued these extra silver certificates.

Representative WHITE. You just have not done it, but there is nothing to prevent your doing it?

Mr. MORGENTHAU. There is nothing to prevent our doing it; but it has been our policy since the Silver Purchase Act not to do it. There is nothing new about it. Since 1934 we have not done it.

Senator McCARRAN. Mr. Nelson wished to make a further and concluding statement, as I understand it. I should like to have him make it now.

Am I correct in that understanding, Mr. Nelson?

Mr. NELSON. That is right. I had not finished when you asked about the purchase price.

If we can replace the copper that will be needed for making other things, such as aluminum, chlorine, or magnesium, or butadiene, and use this silver instead, the silver will have only a very nominal amount of wear. I mean we are not talking about using up the silver; although, frankly, if it meant making ammunition, and we had to have the ammunition, and silver would do, we probably should use it up as ammunition, if that is the thing we need to prosecute this war.

Senator WILEY. Will it be determined by chemical or engineering experts whether silver can be used?

Mr. NELSON. Oh, yes.

Senator WILEY. That has not been tried out?

Mr. NELSON. In the case of butadiene it has not; in the case of bus bars it has been.

Senator WHEELER. You can use silver instead of copper in the stills, can you not?

Mr. NELSON. Oh, yes. It is a good conductor, an excellent conductor, of electricity.

Why we came before you, sir, was to ask if we could not find some way to use this silver to replace copper, because of the deficit of copper; and this deficit of copper will come right out of our ammunition requirements. I think it would be a great pity if we had to close down any one of our ammunition plants for a lack of copper if we could substitute another metal which we have on hand and are not using, and thereby make more ammunition out of the copper which we have.

Senator WHEELER. If this is done, would it affect the financial policy of the Treasury at the present time with reference to the silver situation? You are not seeking to change the silver law with reference to the purchase of silver, as to prices, in any way, shape, or form?

Mr. MORGENTHAU. I do not know if Mr. Nelson has told his whole story.

Mr. NELSON. Yes, I have. I wish, if I may, to make one request, and that is that the amounts of these deficits be kept off the record; I only wanted the committee to have a picture of what our copper requirements really are.

Senator McCARRAN. Have you now, Mr. Nelson, concluded your statement or gone as far as you want to go? Have you now concluded such statement as you think you should preliminarily make?

Mr. NELSON. At this time, sir.

Mr. MORGENTHAU. Senator Wheeler, in answer to your question just now, Mr. Nelson tells me that that is all he is asking for.

If this committee feels that this is a worthwhile project—and I hope that they will, and will give us the legal authority, or that this committee will recommend to Congress that we be given the legal authority, then, to answer your question, we have, as far as I am concerned, no idea of disturbing the silver legislation, other than, with your authority, to lend to Mr. Jones' Corporation the balance of the silver in the Treasury if Mr. Nelson says he needs it for war purposes.

Senator WHEELER. That is the thing that seems important to me at the present time. I mean the fact that we passed this law would not change the silver policy as enunciated by Congress heretofore?

Mr. MORGENTHAU. Well, from what Mr. Nelson has told you, I do not see why it would be necessary.

Senator WHEELER. I could not see why it would be necessary either, but I wanted to get your own view upon it.

Mr. MORGENTHAU. But we in the Treasury do feel that we need legislation to give him the balance of the silver.

Senator WHEELER. I understand that; but if we pass the legislation that you have suggested, it will not change the silver policy with respect to the price of silver?

Mr. MORGENTHAU. It could not.

Senator WHEELER. That is what I thought.

Mr. MORGENTHAU. You want the assurance?

Senator WHEELER. I wanted that assurance.

Mr. MORGENTHAU. I stand just where I did before. I am here simply backing up Mr. Nelson's request that we be given the legal authority to do what he needs to have done.

Senator WHEELER. I am speaking only for myself. As far as I am concerned, I feel that if it is necessary to use this silver under these circumstances, in order to conserve other needed war materials, those of us who are interested in silver could not very well take the position that we were not going to permit the use of that silver or of any other material, no matter what it was. If we needed to use the gold that is in the Treasury in order to carry on the war, I would say to use the gold—or the silver or anything else that we have.

Senator MURDOCK. Mr. Chairman—

Senator McCARRAN (presiding). Senator Murdock.

Senator MURDOCK. My question is based on a statement made to me that we are not only taking care of our own country but are also furnishing a large amount of copper to the United Nations.

Mr. NELSON. Yes, sir.

Senator MURDOCK. I am wondering if you have made or if anyone else has made an investigation of any kind to determine whether or not any of the other United Nations are utilizing silver in place of copper in order to make copper readily available.

Mr. NELSON. Well, as far as I know, I do not know of any case where the United Nations—unless Russia is doing it, and we have no information on that—are doing the same kind of job of increasing their supply of other things as we are, such as in the case of aluminum and synthetic rubber.

In the case of synthetic rubber, we are the only one that has increased the production of synthetic rubber. We have grain over here and we have the petroleum to make synthetic rubber. We will have to supply synthetic rubber for the United Nations.

Senator MURDOCK. It seems to me, Mr. Chairman, that certainly the Congress and the officials of this Government should be informed on that question. If it is necessary here in the United States to utilize silver in place of copper in nonconsumptive uses, it seems to me that we should certainly ask our Allies, before sending copper over there to them—and I am wholeheartedly in favor of doing that—What are you doing along this same line?

I have asked that question, because it seemed an important question, for this reason: That when the war comes to a conclusion—and I think it will come to a victorious conclusion for the United Nations—the United States is going to find at the peace conference that its large stocks of gold and silver are going to be very important factors. So, while I agree with Senator Wheeler, I have no objection, coming from a big silver-producing State, to the utilization of every ounce of silver and every ounce of gold, if necessary, in nonconsumptive uses for the winning of this war. But, as the chairman of the committee has stated, I do not want to see at this time any material change made with reference to the monetary use of silver. However, I can see no damage or no harm to the silver program if the Treasury is allowed to use the silver or to lend it for nonconsumptive uses under proper safeguards.

Senator McCARRAN. Mr. Secretary, do you care to comment.

Mr. MORGENTHAU. I can answer Senator Murdock's question. As far as I know—if I am wrong, I will correct it—none of the United

Nations has any substantial stock of silver. In the case of England, we have had an official request asking if we could assist her by selling or lease-lending some silver for industrial uses. England is short of silver; in fact it has not enough silver now for its own coins. That is the situation as far as England goes.

Senator MURDOCK. Is that true with reference to China?

Mr. MORGENTHAU. As far as I know, I think we bought about all the silver that China had to sell.

Senator MURDOCK. What about India?

Mr. MORGENTHAU. Well, I do not know offhand how large their silver stocks are or whether they would be readily available for industrial purposes.

Senator MURDOCK. There is an inflow of silver into this country?

Mr. MORGENTHAU. But certainly as far as England is concerned, England is asking us now for silver for industrial use.

Representative WHITE. Mr. Chairman, may I ask a question?

Senator McCARRAN. Yes.

Representative WHITE. Mr. Secretary, in your opinion, which do you think would be more beneficial to the American people: to take this silver and issue it in circulation under silver certificates to pay running expenses of the Government or to use it industrially, as you propose?

Mr. MORGENTHAU. I do not see how you can compare the two things.

Representative WHITE. I am just asking for your opinion.

Mr. MORGENTHAU. I could not compare them. In one situation we have a gun at our belly, and we need copper bullets. Issuing the maximum amount of silver certificates is not going to help us one bit at the front. I do not see how you can compare the two things.

Representative WHITE. There are a great many metals that can be substituted for copper. One of them is aluminum. Do you think it would be more advantageous to the American people to use this silver industrially than to turn it into money or to issue silver certificates against it, just as you have been doing all the time in buying silver and putting out silver certificates?

Mr. MORGENTHAU. I do not think the two things are comparable, Mr. White.

Senator JOHNSON of Colorado. You are doing both under your plan.

Senator CLARK of Idaho. There is no reason why you cannot issue silver certificates against these bus bars, as long as they are properly policed.

Mr. MORGENTHAU. We could. Thank you.

Senator JOHNSON of Colorado. That would be doing two things: It would be doing what Congressman White would have you do and what Mr. Nelson would have you do.

Mr. MORGENTHAU. We could do that.

Representative WHITE. I was just trying to get at the policy of the Treasury as to the use of this silver: Whether it should be used as money or whether it is better to keep it idle. I am wondering why it has not been used as money before.

Mr. MORGENTHAU. Well, it has.

Representative WHITE. You have the mechanics for creating silver money and are using silver all the time. It is not my purpose to embarrass the Secretary; it is simply my purpose to get at the policy of the Treasury in the use of this silver.

Senator McCARRAN. Boiled down to the last analysis, as I gather the whole question here—and I will express this in my own homely way—the bus bars, or the silver that is in the bus bars, being in such condition as not to be deteriorated, may be regarded, as I view it, as silver backing for certificates that might be issued. Am I correct in that?

Mr. MORGENTHAU. You are perfectly correct in that, but you know, certainly as well as I do, Mr. Chairman, that as we buy silver it has been the policy of the Treasury to issue silver certificates up to the cost of the silver. We have done that consistently. We have not issued silver certificates against what you call free silver or seigniorage but purely up to the cost, and that has been our policy. As far as I know, by and large, with the exception of a few individuals, there has not been any criticism. That is the policy we have followed since 1934.

Senator McCARRAN. Following that policy out, suppose you turned over to Mr. Nelson for his use all the silver, we will say—47,000 tons—that you have and that you then continued to acquire silver, as you naturally would in the annual purchasing. That newly acquired silver could in turn have certificates issued against it and also could be turned over to Mr. Nelson for his use; is that correct?

Mr. MORGENTHAU. Just a minute. You are asking me a very important question; I want to be sure I am right.

Representative WHITE. Then, by this scheme we have the dual use of silver. We use it industrially and at the same time use it as security for silver certificates?

Senator CLARK of Idaho. It could be put into a bar of the type that electricity flows through.

Mr. MORGENTHAU. That is right.

Representative WHITE. To do this, you will have to get away from the old redemption provision, because you could not very well say that "on presentation of this certificate, you can demand \$1 in silver."

Senator WILEY. Well, a person could go down and take a piece off a bus bar.

Senator McCARRAN. Let us have the Secretary's answer.

Mr. MORGENTHAU. The answer to your question is just about the way you put it. We would continue the same policy, but as we acquired new silver, we would continue to issue silver certificates against the cost. If Congress enacted the legislation, we would continue to issue silver certificates against newly acquired silver and then turn around and lend it on arrangement with Mr. Jones, who would turn it over to the plants that Mr. Nelson designated.

Senator WHEELER. By doing that, you would help to pay for the war.

Representative WHITE. In the event all the silver was now used as coverage for the issuance of silver certificates and you had no free silver, would it be possible to put silver to dual use—to use it industrially and still have it available for coverage of your silver currency?

Mr. MORGENTHAU. Well, Mr. White, we in the Treasury like to live up to both the spirit and the letter of the law. My legal counsel advises me that we can lend to the Defense Plant Corporation the so-called free silver, but the silver which is in the Treasury, backing up the outstanding silver certificates, we feel we cannot lend out unless we get additional legislation from the Congress, and that is why we are here today.

Representative WHITE. Well, Mr. Secretary, since June 30 of last year there has been \$2,000,000,000 of new Federal Reserve money placed in circulation, more than the equivalent of all the idle silver. Is not that a fact?

Mr. MORGENTHAU. I think that is correct.

Representative WHITE. Since June 30, 1941, there has been placed in circulation more Federal Reserve currency than the equivalent of all the silver. In other words, the currency of this country has been expanded or inflated to an extent far larger than the utilization of all the idle silver? That is a fact?

Mr. WHITE. The increase in the Federal Reserve notes is more than the increase in the silver certificates.

Senator McCARRAN. Let me see if I express the views of all here. If I do not, someone may take issue with me. I will speak now for myself. It would be my view that no group in this country could afford—and certainly I would not think that I could afford—to oppose any policy or plan for the successful prosecution of this war. If there is in the Treasury of the United States metal essential for the successful prosecution of the war, and the value of that metal in its place in the monetary system of this country can still be retained, and it is integrated while retained in the monetary system, then personally I would try to work out a law that would afford the Treasury and Mr. Nelson an opportunity to utilize that silver in industrial uses, but always remembering that it is integrated as a part of the monetary system and the economic plan of our country, which must be retained. I believe that that can be worked out.

Is there anyone who is here and is interested in this subject who takes issue with me?

Senator JOHNSON of Colorado. I concur completely, Senator. I am sorry that I must now leave to go to another meeting.

Representative WHITE. I might observe that the question resolves itself into a simple proposition, whether it is more beneficial to the people of the United States to utilize silver as money by issuing it in the form of silver certificates, to pay the Government's running expenses, just as is being done now, or whether it should be used industrially as a substitute for copper.

It occurs to me that there is a possibility in framing this law that you have in mind the putting of this silver to a dual use. Will it be held as coverage for this currency, and available for that purpose, and at the same time used industrially but checked and held in control by the Treasury in that industrial use?

I should like to point out at this juncture that the currency of Hong Kong was good money until something upset the government over there; then the Hong Kong dollars were flying around the street, not worth picking up. Had that been silver, those dollars would have been good in any country at the bullion value of the silver.

Senator McCARRAN. You are entirely right on that, Congressman.

Senator MILLIKIN. Mr. Nelson, during the course of your explanation of the proposition, you made some reference to possible consumptive use of silver. That is not contemplated in your proposal?

Mr. NELSON. No, sir; not in the proposal I am presenting.

Senator MILLIKIN. Such a proposal would call for more legislation?

Mr. NELSON. That would call for legislation different from this.

Senator MILLIKIN. Your proposal, of course, contemplates the

return to the usual storage place of the Treasury of this silver following the conclusion of the war?

Mr. NELSON. The proposal I am making to you today, sir, does involve just that.

Senator MILLIKIN. The contracts would cover that feature?

Mr. NELSON. That is right.

Senator MILLIKIN. So it simply amounts to changing the usual place of storage of the silver?

Mr. NELSON. Yes, sir; and putting it to a useful purpose.

Senator MILLIKIN. It would simply be stored in another place?

Mr. NELSON. That is right.

Senator MILLIKIN. There is no consumptive use being contemplated at the present time?

Mr. NELSON. No, sir; not at the present time on this proposal we are making.

Senator McCARRAN. Secretary Morgenthau, I do not want to be captious, but I did not quite like your answer to Senator Wheeler's question; in other words, I did not think you were quite clear or emphatic enough. Maybe I want you to be more emphatic than you would be, but I want to ask you this: Is there now in contemplation any plan or scheme whereby through this legislation you would impair the integrity and value of silver in the monetary system of this country?

Mr. MORGENTHAU. I am glad you asked me that question, because it gives me a chance to ask one.

My answer to you is emphatically No. At the same time what I should like to have an expression from this committee on is this: As I understand it, by my saying emphatically to you No, it establishes what I shall call, for want of a better name, a friendly truce. I should like to have from this committee an expression that if legislation is introduced to make it legally possible for us to lend through Mr. Jones' Defense Corporation this silver, at the same time there will not be any legislation making it mandatory upon the Treasury to issue certificates up to the full amount of the silver; in other words, changing our policy to issue silver certificates against the seigniorage, the thing evidently that Mr. White has in mind. In other words, I should like to keep the status quo.

Senator McCARRAN. That comes back again to my thought, perhaps poorly expressed, that the silver, if I understand the proposal fairly well, can be utilized in two ways. It stands as a backing for the issuance of certificates, and it also serves an industrial use. Is that your conception of it?

Mr. MORGENTHAU. That is perfectly correct. But may I restate my position again? What I should like to see, if you gentlemen agree, is a law that will make it legally possible for us to lend all of the silver that we have in the Treasury to plants designated by Mr. Nelson, the silver to be used as a substitute for copper.

But in this proposed legislation, you are asking me if we are going to ask for anything which will change the silver picture. I say No. I think, in fairness, that I might say that I hope you gentlemen, if this legislation goes through, will not change the silver picture or the monetary picture as far as the Treasury goes. Is that fair?

Senator McCARRAN. It looks fair, but I want to protect it a little

bit. You are not looking beyond the emergency or the war, are you? Mr. MORGENTHAU. No, sir.

Senator McCARRAN. In other words, any legislation that you would ask for would terminate with the war?

Mr. MORGENTHAU. Or 6 months after the war, in order to give those plants a chance—

Mr. NELSON (interposing). That is right; in order to give those plants a chance to replace the silver with copper.

Senator CLARK of Idaho. My own view, Mr. Secretary, is that whatever legislation is enacted here should be enacted, on both sides, entirely apart from the silver policy, you for your part to go ahead exactly as you have been under the Silver Purchase Act, and this legislation to be confined to a war use of silver, so that we will not get into the silver question as an outgrowth of this legislation.

Mr. MORGENTHAU. That is what I am asking for, and that is what the chairman has asked me. Yes; for my part, if this is introduced, I, speaking for the Treasury, will not ask for anything else than to make it legally possible; but I think that in return—

Senator CLARK of Idaho. I do not think we should clutter it up. That is my offhand opinion.

Mr. MORGENTHAU. If this committee says it will not be, it will not be.

Senator McCARRAN. One other question, Mr. Secretary. You have in circulation how much in silver dollars? What is the amount of your metal silver, both in the Treasury and out?

Mr. WHITE. Do you want to know how much silver there is in circulation at this time?

Senator McCARRAN. In and out of the Treasury.

Mr. WHITE. In ounces, if you would like it that way, there are 2,900,000,000 ounces held in the Treasury, either against silver certificates or as free silver.

Senator McCARRAN. I am speaking of coined silver.

Representative WHITE. In the Treasury, in standard silver dollars, there are \$481,741,220. That is money that is in the Treasury but not in circulation, as of April 30, 1942.

In circulation, as of April 30, in silver dollars, there are \$63,465,132.

Senator MURDOCK. Does that include your subsidiary coins?

Representative WHITE. No, just coined silver dollars.

Senator MURDOCK. Is it intended to do away with subsidiary coins as well as silver dollars?

Senator McCARRAN. That is what I was just going to follow up. Does this plan propose to interfere with the silver money, as I choose to term the coins in circulation and in the Treasury? In other words, would that be a withdrawal of your circulating medium?

Mr. MORGENTHAU. No, I have nothing in mind today like that. As I told you before, if I do, I will tell you here. I do not want to disturb the status quo of the silver-monetary situation at all in coming up here and asking on behalf of the Treasury to make it legally possible to lend silver. We will continue in the same way we have since 1934. To use the vernacular, what I should like to say to this committee is that we won't start anything if you won't start anything.

Senator CLARK of Idaho. I think you are right.

Mr. MORGENTHAU. That is clear enough.

Senator CLARK of Idaho. That is clear enough, and I think you are right.

Senator MURDOCK. You say you do not want to disturb the silver-monetary policy, but am I not right in this: that you will have to ask, or we will have to ask, if we go along with you on this policy, for at least a suspension of redemption of silver certificates during the emergency? You cannot redeem silver certificates if there is nothing in the Treasury with which to redeem them. It would seem to me that if we from the beginning would suspend the redemption of silver certificates during the period of the emergency, the question would practically be solved.

Mr. MORGENTHAU. That is the way you write legislation.

Senator MURDOCK. That is the point I have been making, or have tried to make a time or two, that we must, if we follow your policy, suspend redemption during the period of the emergency and for 6 months thereafter, and at the same time authorize you to lend to the war effort the silver in the Treasury.

Mr. MORGENTHAU. I think you are right.

Representative WHITE. You stated that there were 100,000 tons of silver on hand. Of those 100,000 tons, 47,000 tons are free silver not obligated for redemption into anything. You are only proposing today to get a law that will permit you to move 47,000 tons?

Senator McCARRAN. No, he is going to go the whole road.

Mr. NELSON. If necessary.

Representative WHITE. You propose to take the entire 100,000 tons?

Mr. MORGENTHAU. If Mr. Nelson certifies it as a necessity, yes.

Representative WHITE. Does Mr. Nelson contemplate using more than 47,000 tons of free silver?

Mr. NELSON. That is what I am here for.

Representative WHITE. You want the whole 100,000 tons?

Mr. NELSON. We may need or we may not need the whole 100,000 tons.

Representative WHITE. In other words, you would do exactly as Canada has recently done. You would suspend coverage of your currency, and we would have, as far as silver certificates are concerned, a fiat money basis?

Senator MURDOCK. You would be in the same position as on gold. You cannot redeem gold certificates, but you know the gold is there. If it is necessary in the war effort, as Senator Clark has said, what difference does it make to the silver people whether it is buried in the vaults or whether it has 30,000, 40,000, or 60,000 volts of electricity going through it in the form of a bus bar?

Representative WHITE. It is a question of whether you have coverage—redemption of your silver-certificate currency.

Senator MURDOCK. But the gold is buried, and you cannot redeem gold certificates. As I understand it, this would be only during the emergency.

Representative WHITE. Referring to the law of 1939, you are working under subsection (b) of section 4. We are in effect re-monetizing silver. That section reads as follows:

The Director of such mint with the consent of the owner shall deduct and retain of such silver so received 45 per centum as seigniorage for services performed by the Government of the United States relative to the coinage and delivery of silver dollars. The balance of such silver so received, that is 55 per centum, shall be

coined into standard silver dollars and the same or any equal number of other standard silver dollars shall be delivered to the owner or depositor of such silver, and no provisions of law taxing transfers of silver shall extend or apply to any delivery of silver to a United States mint under this section. The 45 per centum of such silver so deducted shall be retained as bullion by the Treasury or coined into standard silver dollars and held or disposed of in the same manner as other bullion or silver dollars held in or belonging to the Treasury.

Is it proposed in any way to disturb that present existing law that has in effect remonetized silver?

Mr. MORGENTHAU. May I ask one of my attorneys to answer that?

Mr. FOLEY. The answer, Congressman White, I would say, is no.

Representative WHITE. Silver has in effect after 77 years been remonetized with seigniorage to the Government of 45 percent. You are not proposing to disturb that at all? You are just going to use the silver you have taken in for industrial purposes?

Mr. FOLEY. For nonconsumptive purposes.

Senator MURDOCK. I think that has been emphasized. What is wanted this morning is the nonconsumptive industrial use of idle silver in the Treasury.

Senator CLARK of Idaho. Let us get that clear. The Secretary told us at our previous meeting his personal views on silver, which are definitely in disagreement with the views of this committee. On the other hand, he told us that he was trying as best he could to follow the law as Congress had written it in the Silver Purchase Act. As I understand his proposal now, it is that neither side, as he puts it, will start anything; that Mr. Nelson needs some metallic silver in order to conduct electricity and perhaps to be used in stills; and that if we will broaden his authority, he can get that silver into something useful in the war effort.

Mr. NELSON. In place of copper.

Senator CLARK of Idaho. The Secretary and his staff will not undertake in any way to let that policy interfere with the established monetary policy of purchasing under the Silver Purchase Act, and we on our side should not undertake to clutter up this law with any further silver legislation looking toward the benefiting of silver mines or looking toward any other general policy legislation. Is that correct?

Mr. MORGENTHAU. You have put it much better than I could.

Senator CLARK of Idaho. Oh, no.

Senator McCARRAN. Let me amend that. If that policy is carried out, the Secretary will then go forward with the silver program in the full spirit of the law.

Senator CLARK of Idaho. Yes; as he has.

Mr. MORGENTHAU. As I have since 1934. I mean I will not change anything in the Treasury as to the policy of carrying out the Silver Act of 1934, and I will not change the policy of the Treasury in carrying out the Silver Purchase Act in the future in any way. If at any time I feel that I should want to do that, I will come before you gentlemen. But you have my word that we in the Treasury will continue carrying out the Silver Purchase Act in exactly the same way as we have from 1934 to date. If there is any time when I want to change that, I will come before you gentlemen.

Representative MURDOCK. Mr. Chairman—

Senator McCARRAN. Congressman Murdock.

Representative MURDOCK. I want to say at the outset that I concur

in the thought that you have expressed several times during the hour. I want to ask Mr. Nelson a question which seems to me to have a bearing on this matter.

Your request now is based on the assumption that you need so many additional tons of copper over and above what we are now getting. You are not able to obtain that extra tonnage apparently from any source; therefore, you ask for this substitution?

Mr. NELSON. That is right.

Representative MURDOCK. May I ask how many tons of copper you think we might need but will be short of?

Mr. NELSON. I would not like this information to go into the record.

Senator McCARRAN. Very well. This will be off the record.

(Mr. Nelson then made a statement which, at the direction of Senator McCARRAN, was not recorded.)

Representative MURDOCK. This request is based on the assumption that you are inevitably going to be short that much?

Mr. NELSON. Yes.

Representative MURDOCK. You see no possibility of increasing the output of copper in order to meet that need? Arizona is the greatest copper producing State and we want to go the limit.

Mr. NELSON. I think we are doing everything we can to increase it. If anybody can suggest additional things to do in order to increase it, we, of course, will be glad to know about them.

Representative MURDOCK. As a Congressman from a silver-producing State, I am tremendously interested, and I want to make that clear. One of the gentlemen here said that he would be willing to see not only silver used in a double capacity, but gold, too, and so would I, for the winning of this war.

Senator MURDOCK. I made that statement, and I am very emphatic in it.

Representative MURDOCK. I feel exactly the same way. I would be willing to see the gold taken from the ground at Fort Knox and used to fill the teeth of soldiers, if necessary, or to be made into bullets, if it is necessary, in order to win this war.

Representative WHITE. Has the cost of guarding that gold ever occurred to the gentleman?

Representative MURDOCK. With this understanding, I concur especially in your statement, Senator McCARRAN, that we must maintain the integrity of silver in our monetary system. I believe that the moment we put it to industrial use, even to nonconsumptive bus bar use, there will be a psychological undermining of that integrity. Silver may become thought less a precious metal and more an industrial metal. However, this is an offhand opinion and may not necessarily be correct. Jealous as I am of its previous value in our monetary system, I am willing to have it jeopardized, to whatever extent it will become jeopardized, in order that it may be used in the war purposes.

Representative WHITE. In taking over this silver, Mr. Nelson, is it proposed that the title remain in the Treasury of the United States?

Mr. NELSON. By whatever mechanism they lend silver for defense plants—by whatever lending process—

Representative WHITE. Title will remain in the Treasury, and the silver will be returned to the Treasury?

Mr. NELSON. It will be returned to the Treasury.

Senator McCARRAN. May I ask one more question while this group is here? My understanding is that this legislation, if it is worked out, will affect only bullion silver and not coined silver. In other words, we have silver in the Treasury that is coined into subsidiary coins and into dollars, and we have in circulation silver dollars and silver subsidiary coins. None of them would be affected, and there would not be—and this is one question that I wish the experts from the Treasury would listen to—there would not be such curtailment of coining as would affect the circulating medium of silver in the United States and the commercial transactions of the country?

Mr. MORGENTHAU. I am sure that the answer is "No," as far as circulating coinage is concerned.

Mr. WHITE. With one exception. There are silver dollars which have been gathered into the Treasury and are the backing of the silver certificates. If the legislation is written in such general terms as are suggested here, it would include not only the silver bullion, but it would also include silver dollars which are now the backing for outstanding silver certificates.

Senator McCARRAN. Do you mean outstanding silver certificates in circulation?

Mr. WHITE. Yes.

Senator McCARRAN. Why should we have to go that far?

Mr. WHITE. I say that it all depends on how your legislation is written. If it is written in the general terms you were speaking of, it will include not only bullion but also silver dollars which have come back into the Treasury and which had been minted earlier as a reserve behind the silver certificates now held in the Treasury amounting to 481,627,820 silver dollars. So, they would be subject to the same general principle as bullion.

With respect to the coins outstanding, that, as I gather, is a matter not mentioned herein.

Senator McCARRAN. I would hesitate to concur in a policy that would take the silver dollar, that Americans know today as the American silver dollar, out of free circulation in the business transactions of the country. I think it would be exceedingly depressing to the people of this country if that were done.

Representative WHITE. The gentleman knows that only \$63,000,000 of those are in circulation, according to the Treasury statement.

Senator McCARRAN. There are more than that in the Treasury.

Representative WHITE. Mr. Nelson, if this legislation is drafted so that it affects only the free silver, which is 47,000 tons, do you not think that that would be a good start?

Mr. NELSON. That would not be enough. We do not need any legislation for that.

Senator McCARRAN. All bullion silver will be affected. Let that be understood. Let no one have any misconception about that.

Representative WHITE. I want to propound a unanimous-consent question at this time. I have a letter from Mr. Bell, the Secretary of the Treasury's assistant, giving factual data concerning monetary operations with reference to silver in Canada. I should like to know if I may have that included in the record at this point and also have included at this point a statement I have recently written, for publication, on the Silver Purchase Act.

Senator McCARRAN. Very well. They will be inserted in the record.

(The matter referred to is as follows:)

TREASURY DEPARTMENT,
Washington, May 25, 1948.

Hon. COMPTON I. WHITE,
House of Representatives, Washington, D. C.

My DEAR MR. WHITE: In accordance with your telephonic request of Mr. Southard a few days ago, I am enclosing herewith for your information a short memorandum on Note-issuing Powers and Regulations in Canada.

Very truly yours,

D. W. BELL,
Under Secretary of the Treasury.

NOTE-ISSUING POWERS AND REGULATIONS IN CANADA

The right to issue notes payable to bearer on demand and intended for circulation in Canada is vested in the Bank of Canada by section 24, of the Bank of Canada Act of 1934. This act authorizes the Bank of Canada to issue notes to any amount subject to the condition that it maintain a gold reserve equal to an amount not less than 25 percent of its total notes and deposit liabilities. Under the Order in Council of April 30, 1940, authorizing the transfer of the bank's gold holdings to the Foreign Exchange Control Board, the minimum gold reserve requirement has been temporarily suspended.

Bank of Canada notes are legal tender and are the first charge upon the assets of the bank. The Bank of Canada Act of 1934 provided for their redemption in gold bullion, but it also provided that this provision could be suspended by the Canadian Government, and this was done immediately.

Prior to the establishment of the Bank of Canada in March 1935, notes issued by Canadian chartered banks were the chief circulating medium in the hands of the public. The provisions regarding these notes were immediately changed, with the establishment of the Bank of Canada, under section 24 of the Bank Act of 1934. Under this act Canadian chartered banks are required to reduce the issue of their own bank notes gradually during the 10-year period, 1935-45, by 5 percent annually during each of the first 5 years, and by 10 percent during each of the latter 5 years, to an amount not in excess of 25 percent of their unimpaired paid-up capital on March 11, 1935.

Chartered bank notes are not legal tender but they are convertible into Bank of Canada notes which are legal tender. Chartered banks are obliged to accept payment in their own notes, which are a first charge on the assets of these banks. Each chartered bank is required to keep a deposit with the Minister of Finance equal to 5 percent of the amount of its notes in circulation. This "circulation redemption fund" is held solely for redeeming the notes of banks which have failed. In the event of failure of any bank the others may be called upon to make further contributions to the fund so that in this way each bank is partly responsible for the redemption of the notes of all other banks.

Ever since the passage of the Silver Purchase Act of 1934, silver has proven to be a practical and satisfactory backing for a substantial amount of the national currency now amounting to around \$2,000,000,000. A fiat currency has always been abhorrent to our banks and business interests. In explanation of the operation of the Treasury's fiscal operations in creating and circulating our present silver currency, the following article was written for publication by Congressman Compton I. White of Idaho:

"Not many people know it but Uncle Sam, which is another way of saying the United States, is making a tidy profit on the Treasury silver-purchase program in meeting the monthly pay rolls of the Members of Congress and Capitol employees. Stacks of newly engraved silver certificates, costing the Government about 50 cents on the dollar are being put out by the Sergeant of Arms of the House of Representatives and the Senate disbursing office in meeting pay rolls.

"Our dollar, it may be explained, contains a little less than seven-eighths of an ounce of silver, or to be exact $412\frac{1}{2}$ grains standard silver which makes a full ounce of silver worth \$1.29 $\frac{1}{4}$; if a dollar was an even ounce of silver, all silver-money calculations would be much simpler.

"For many months the currency sent over from the Treasury has been brand new money in denominations of \$1, \$5, \$10, and \$20 bills. The \$1, \$5, and \$10

bills are exclusively new silver certificates redeemable in silver dollars. The only Federal Reserve notes being paid out by these Government offices are the 1920's. This money flows into general circulation very quickly—the well-known spending propensity of Federal employees takes care of that.

"From the money making standpoint (literally and figuratively) the plan has two advantages; the Government saves the difference between the cost of the silver this paper money represents and the face value of the certificates (bills) which amounts to about 50 cents on each dollar when you average the price of domestic and foreign silver the Government is buying all the time and check on the silver seigniorage figures in the Treasury statement. The other advantage is the saving in interest to business, realized in using this kind of money in place of bank currency.

"The sticker in the plan is that for some unexplained reason the Secretary of the Treasury will not put all of the silver the Government is buying to work as money, putting out only about one-half of what he buys in issuing silver dollars and silver certificates (or an amount 'up to the cost of the silver') and piles up the other half that really represents the Government's profit in a stock surplus that could just as well be used like the first half is being used as money. In reality the only cost of this so-called surplus silver to the Government is the administration expenses in acquiring this money material that could be turned into a profit at a time when everyone seems to think the Government really needs the money.

"The fact is that the gains made by the Treasury in revaluing both gold and silver is about even, the increment on gold being a little more than the increment on silver.

"Both of these figures show up every day in the Treasury statement. The gold increment is set aside in the stabilization fund carried now at \$1,800,000,000 and silver increment is put in the general fund in terms of ounces (unrevalued) and carried at the original cost of the silver before the seigniorage is taken into account.

"This is a bookkeeping entry that may be compared to the transaction of a wheat buyer purchasing wheat for 70 cents a bushel and selling it for \$1 a bushel and keeping his working capital in hand by selling up to the cost of his wheat as fast as it comes in. When he has bought up to a thousand bushels for \$700 and sold 700 bushels for \$1 a bushel and has 300 bushels on hand, his bookkeeping entry would show his 300 bushels representing an investment of \$210 when in fact he has his money all back and the 300 bushels of wheat to show as a profit.

"So it is with surplus silver in the Treasury carried at \$664,421,302.93 in the Treasury statement but when we come to analyze this situation, if the seigniorage is taken into account, this surplus silver did not actually cost anything and as to the seigniorage item, it is either one thing or another. If it is entered as a profit to the Government, then the surplus silver represents what it cost. If the seigniorage is not carried on the Treasury books as a profit, then the total surplus silver represents a profit which may account for the Secretary's sidestepping the question recently when he was asked as to the extent of the loss the Government might sustain in disposing of its surplus silver.

"Some think that the fear of inflation has prevented the United States Treasury from making a profit and a big saving at the same time by using our idle silver as money but a lot more Federal Reserve money than all of our surplus silver would make has been put in circulation in the last 9 months. The record discloses that we had most of the idle silver on the last day of last June when the total Federal Reserve notes stood at \$7,001,580,625; just 9 months later on March 31, this figure stood at \$9,056,131,000, an increase of over \$2,000,000,000; and now when the April statement comes along we find another big jump in the circulation of Federal Reserve notes which have increased to \$9,239,843,390. Evidently inflation is not the answer to our surplus silver problem.

"With these facts so obvious and easily understood and the patriotism of our leading publications being constantly proclaimed, it is difficult to understand the barrage of propaganda and innuendo appearing in these high-class publications against silver. The interest income the banks would get if this form of cash was retired and replaced with Federal Reserve currency is well understood although it is difficult to believe that the patriotism of our bankers would permit a profit motive to outweigh their interest in the welfare of the American people struggling under the overburden of an interest load; as for our leading publications, it is difficult to understand their motive in putting out all this flood of misleading propaganda against silver."

[From the Congressional Record, February 2, 1942, p. A360]

MONEY

Extension of Remarks of Hon. Compton I. White of Idaho, in the House of Representatives, Monday, February 2, 1942

LETTER BY HON. COMPTON I. WHITE, OF IDAHO

Mr. WHITE. Mr. Speaker, under leave to extend my remarks in the Record I submit an analysis of the development of our monetary system as I have outlined it in a letter replying to a treatise on the subject:

Mr. CARL SCHMIDT,
Dayton, Ohio.

DEAR MR. SCHMIDT: In appreciation of your interest in the money question, the subject of the treatise which accompanied your letter recently received, I wish to commend your bringing this vitally important subject to the attention of the Members of Congress.

Any medium of exchange to be real money must be legal tender established by law. Other things may function as a medium of exchange but they are not real money. We must not confuse the function of money with money itself.

Under the system of money adopted when our Government was established, both gold and silver, of standard fineness and quantity, were made money by statute and the unit of value was fixed by law. Section 314 of the United States Code provides:

"The dollar consisting of 25.8 grains of gold 0.09 fine shall be the standard of value."

Section 316 of the United States Code provides that:

"The weight of the dollar shall be 412½ grains troy of standard silver."

So, we see that the two metals, gold and silver, of standard fineness are made money by law which fixes the weight of our monetary unit—the dollar—and other forms of money were established on this foundation.

The Government has the prerogative and can exercise a monopoly in the creation of money; however, our Government has always maintained a position as an entity that deals with money as an individual raising its income by taxation and paying its obligation by money obtained from taxable sources of public borrowing.

The effect of the law establishing our money medium was to make the metal gold and the metal silver of definite weight and fineness wherever they existed. The prospector roaming the mountains that came upon a gravel bar containing nuggets of gold, when he mined this gold, dug lawful money out of the ground. The silver miner, mining and crushing his ore to extract the silver from a vein, in effect dug lawful money from the ground, and his Government removed the dross by refining the metal and coining it for the convenience of the miner and the people who used money.

Trade and business put this money in circulation, a circulation the Government accelerated by levying taxes and imports and accepting this silver and gold in payment, paying out the silver and gold again in meeting the expenses of conducting the Government.

In pursuing the subject of money further some have asked why not use other metals for money—copper, aluminum, tin, or platinum, as well as gold and silver. These other metals mentioned are too unstable for use as money when we consider the basic principles of economic law affecting the function of money. Any money to be stable in value must increase of itself or by substitutes evenly in volume with the growth of population or the expansion of business, an increase which is estimated by economists at a rate of 3 percent annually. The requirement for a money medium of stable value has been met from the beginning of civilization until very recently by the production and use of gold and silver.

Statistics disclose that on the average about 14½ times by weight of silver is produced to that of gold, with the result that a ratio of value has been established between the two metals of 16 to 1. Over a long period of time we find from statistics that the average of gold increases in volume by 1 percent annually and silver by 2 percent. When taken together the production of these metals make the 3-percent increase in volume that keeps pace with the growth of population.

If we consider copper, we find that the production of this metal far exceeds the growth of population and would, if the mints were open for copper coinage, soon become so plentiful that it would steadily lose value as money. On the other hand, if we were to use platinum for money alone, the production of the metal is so

far short of keeping pace with the growth of population that the continued demand for money and the resulting appreciation of this coinage would bring unstable business conditions and a continued fall in prices, as people sacrificed their goods and services to obtain the necessary money to meet their obligations.

By discarding the use of silver as money, the world governments have upset the equilibrium between money and the value of the things exchanged for money. As a result of the financial disturbances of the Civil War period in this country, a new kind of money was invented based on government credit and regulated as to quantity by the ability of people to borrow and pay interest on bank loans. This currency is the national bank note (made legal tender by law) which up to recent years circulated in our currency system and got into circulation by being loaned out at interest by the national banks. This kind of money after the Civil War supplemented the use of silver and gold coins and silver and gold certificates and its use as money in trade and business yielded an income to the issuing banks in the form of an interest charge in a system which also operated to increase the banks' income by the interest received from the Government bonds deposited with the United States Treasury as security for the repayment of the national bank-note currency.

With this kind of money in circulation, the American people soon saw legislation enacted to discontinue the use of any new silver as money; a plan which naturally increased the demand for and the use of national bank-note currency and precipitated the struggle between the free-coinage champions of silver and the gold-standard advocates, who supported a plan which would work for the wider use of national bank-note currency. This struggle resulted in the adoption of several monetary expedients directed to stabilizing the price of silver but never restoring the metal to its former status as money of itself but leaving it to remain a commodity to be bought and sold by the Government on a commodity basis, and when new silver was used after demonetization in connection with the national currency system, its use was based on its commodity value.

The principle that the stability of money value rests on the control of the volume in circulation is generally recognized.

In the past the stabilization of the volume of the money medium has been controlled automatically by the natural limitation of the production of precious metals, gold and silver. After silver was demonetized, there came into operation a mixed control, one, the natural limitation of production of gold; the other, governing national bank note currency (a substitute for silver money) was limited in volume by gold reserve and redemption restrictions and the ability of the people to borrow and repay the principal with interest, based in a large measure on the element of confidence, or rather the confidence of the banker which operated as a large factor in regulating the volume of national bank note currency in circulation.

During the period from demonetization of silver in 1873 and the nationalization of gold in 1933, this country had a dual control on the creation of money exercised by the natural limitation of the production of gold on one hand and the ability of the people to borrow money and repay the principal with interest on the other hand, a scheme which functioned for a time, until commercial and bank credit, which had largely replaced money (cash) in the transaction of business, collapsed with almost total failure of the element of confidence. In this emergency, due to the shortage of the only money metal in use, gold, it developed that the currency system based on gold and gold redemption could not fulfill the money requirements of the several nations and gold in turn was demonetized and our monetary system shifted to a managed currency. In this system gold is nationalized and held on deposit as a 40-percent coverage for the outstanding Federal reserve notes which were controlled in volume by the component organization in the Federal Reserve Bank System, the main control being the ability of the people to borrow money and repay the principal with interest which was supplemented with special devices to regulate the flow of money in the channels of trade and business. These devices were also under the control of the Federal Reserve Banking System. The first of these adjustable controls is the discount rate whereby the lending operations of the lending banks is stimulated or depressed by the rediscount rate charged by the Federal Reserve bank, i. e., the division of the interest between the Federal Reserve bank and the member bank who is responsible for the collection of the note which is offered for the security of the issuance of currency by the Federal Reserve bank. If the lending bank takes all the risk and the Federal Reserve bank gets the bulk of the interest, naturally the lending bank will be more conservative in making loans. The next regulation is the bank reserve requirements. The more cash the banks are required to keep in their vaults, the less they will have to lend their customers, so the volume of

the loans are controlled by this device. And then a third provision is the open market transactions—dealing in Government bonds.

When the Federal Reserve banking authorities deem it expedient to reduce the amount of money in circulation they go into the market and sell Government bonds and the money paid for the bonds is withdrawn from circulation; on the other hand, if they want more money in circulation, they go into the market and buy Government bonds and the money paid for the bonds flows out to be invested and put to use by the people selling the bonds.

So you see we are today conducting all the business of this country with a managed currency, a system that is largely dependent for its normal function on confidence.

If a banker to whom an application is made for a loan lacks confidence concerning any conditions affecting the repayment of principal and interest the loan is not made. It may be his apprehension of the effect of legislative or administrative policies of the Government; it may be due to his uncertainty of local business situations, but in all events, confidence is a controlling factor. The cash element in the hands or ownership of the average business organization or individual is a small factor and a decreasing element.

We find the Government handles its financial dealings on practically the same basis of individuality as any other corporation. We also find that we are using and depending upon a managed currency controlled principally by the ability of the people to borrow money and repay the principal with interest and that the interest on business borrowings that supports the circulation of our currency is in reality an income to the members of the Federal Reserve banking system and we are further confronted with the fact that if all business could be placed on a cash basis and was out of debt and the Government paid off the national debt, as it did when Andrew Jackson was President, business would be paralyzed because we would not have a cent of money under our present system, except the small change, our subsidiary coinage—the halves, quarters, dimes, nickels, and pennies, a few silver dollars and silver certificates.

You are to be commended upon your interest in this subject and your efforts to help devise and put into operation a good workable, adequate money system with which to transact the business of this country.

Sincerely yours,

COMPTON I. WHITE.

Senator McCARRAN. Mr. Secretary, would you care to have inserted in the record the statement that you used? Would it be useful in giving us light on this?

Mr. MORGENTHAU. I have it available.

Senator McCARRAN. It will be inserted in the record, with your permission.

Mr. MORGENTHAU. It is just statistics.

Senator McCARRAN. Yes.

Mr. MORGENTHAU. Surely.

Senator McCARRAN. As of today?

Mr. MORGENTHAU. Yes. That is available.

(The matter referred to is as follows:)

TABLE I.—United States monetary stocks of silver (Apr. 30, 1942)

	Millions of ounces	Short tons
Silver held in Treasury.....	2,000.6	90,438
Silver outside the Treasury.....	428.9	14,018
Total.....	2,429.5	114,456

TABLE II.—Estimated monetary stocks of silver of other countries (Jan. 1, 1941)

	Millions of ounces	Short tons
China.....	480	1,446
India.....	930	2,927
Other countries.....	1,930	5,945
Total.....	2,960	10,147

¹ Includes coin held by the public. Does not include 890 million ounces not allocated to monetary or non-monetary uses.

TABLE III.—Classification of Treasury holdings of silver (May 21, 1942)

	Millions of ounces	Short tons
Silver bullion held for silver certificates.....	1,169.4	36,790
Silver dollars held against silver certificates.....	371.8	12,748
Bullion at cost.....	1,360.5	40,548
Subsidiary coin in the general fund.....	9.8	306
Bullion in the general fund at recoinage value.....	.001	
Total Treasury holdings of silver.....	2,902.5	90,392

TABLE IV.—Sources of Treasury holdings of silver bullion at cost (Apr. 30, 1942)

	Millions of ounces	Short tons
Silver Purchase Act silver.....	1,246.1	43,719
Proclamation silver.....	35.5	1,217
Act of July 8, 1939.....	75.3	2,354
Silver, ordinary.....	4.9	150
Total silver bullion at cost.....	1,361.8	46,788

¹ Disposable by the Treasury.

TABLE V.—Estimated production, 1942

	Millions of ounces	Short tons
World production.....	245	7,590
United States production.....	62	2,122
United States imports.....	120	3,119

TABLE VI.—Estimated demand, including military

	Millions of ounces	Short tons
Bearing materials.....	14.6	460
Chemical industry.....	20.0	625
Containers (returnable).....	102.1	3,190
Dental and medical.....	2.9	90
Electrical industry.....	58.3	1,820
Solder.....	67.1	2,100
Miscellaneous.....	14.6	460
Decorative arts (silverware, jewelry, etc.).....	49.6	1,530
Total.....	329.2	11,285
Nonconsuming uses, bus bars.....	1,166.8	40,000
Other nonconsuming uses.....	583.4	20,000

Senator McCARRAN. I would not want anything to happen to prevent the continual replacement that keeps this silver money in circulation. I think it would be very depressing for the people.

Senator MILLIKIN. There would have to be some reserve kept.

Mr. MORGENTHAU. We would have to keep some reserve on hand at all times to keep, at least, the number of silver coins in circulation; and as the volume of business increases, we are constantly adding to the number of silver coins in circulation.

Senator McCARRAN. I am going to make this suggestion, and if there is any objection to it, I should like to hear it. It is quite apparent that those who are interested in this subject should be in very close contact with the officials and the experts of the Treasury in the original drafting of this legislation. I for one look upon this with a great deal of anxiety, to be very frank with you. I say anxiety, and I use the word advisedly. I would be very jealous of the language that is to be used.

I want to know if it would be in keeping with the spirit of those present here if a group or a committee of, say, three or five, as you may see fit, were selected from among this group that is present to confer with the experts of the Treasury and the Secretary of the Treasury and others interested along that line in the drafting of the proposed legislation, and that following the action of this group in working with the Treasury, the chairman be again authorized to call your group together for study of the legislation.

Does that meet with general approbation?

Mr. Secretary, what do you think of it?

Mr. MORGENTHAU. I think it is an excellent suggestion, but before the legislation goes to the floor of Congress I should like to have a sort of general understanding that I have declared myself, so to speak, by saying that we are not going to start anything other than what we have been here to ask for, and I should like to have the same sort of expression from this committee, namely, that it is not going to start anything such as adding any riders of a monetary nature to this legislation. I think that is a fair request.

Senator McCARRAN. I will speak for myself, if I may.

Mr. MORGENTHAU. Certainly.

Senator McCARRAN. My policy would be just as you have expressed it.

Senator CLARK of Idaho. And it would be mine, Mr. Chairman.

Senator McCARRAN. I am not trying to bind anybody, but I think that I may, with a reasonable degree of propriety, say that I think that is the spirit of this meeting.

Mr. MORGENTHAU. If something like that should happen—and I hope it will not—we should want to feel free to protect ourselves in the matter; that is all.

Representative WHITE. With the cooperation of the Treasury, I prepared an analysis from the earlier statement of the Treasury, and it has been extended in the Congressional Record. I should like to include that and another extension in this record.

Senator McCARRAN. Very well.

(The matter referred to is as follows:)

HON. COMPTON I. WHITE,
House of Representatives,
Washington, D. C.

MY DEAR MR. WHITE: In further reply to your letter of March 2, 1942, the Treasury is glad to submit the following replies to the 12 questions concerning silver which you quote from one of your constituents:

1. Q. Is foreign silver coming into this country in exchange for goods in the form of bullion?—A. The foreign silver imported into this country is chiefly in the form of coin, bars, ore, and concentrates.

The dollar proceeds from silver imports are credit items in the international balance of payments of the countries which sell silver and as such, offset the various debit items, which include payments for imports, transfers of capital, service of foreign debts, and other international transactions.

2. Q. Does our Government ever actually buy silver, either domestic or foreign, or just coin and issue it as money for the owners?—A. Silver is acquired by the Treasury pursuant to the provisions of section 3 of the Silver Purchase Act of 1934. Silver certificates are issued against such silver in an amount equal to its cost. Of the newly mined domestic silver eligible for acceptance by the mints and delivered to them, in keeping with the terms of the act of July 6, 1939, and the regulations issued thereunder, 45 percent is retained by the mints and 55 percent, in silver dollars, or its equivalent in value, is returned to the depositor.

3. Q. At what value is foreign silver rated? Domestic silver?—A. Silver purchased pursuant to the Silver Purchase Act of 1934 is carried on the Daily Statement of the United States Treasury at its cost value, except that silver against which silver certificates have been issued is carried at its monetary value (\$1.29 per fine ounce). By the terms of the Act of July 6, 1939, domestic silver mined since July 1, 1939, and eligible for delivery to the coinage mints is settled for at a return to the depositor of 71.11 cents per fine ounce. This silver, too, is valued at cost or, when made the basis of outstanding silver certificates, at \$1.29 per fine ounce.

4. Q. What nations use silver for money? Is the silver certificate issued by our Nation only?—A. As shown in the enclosed extract from the annual report of the Director of the Mint entitled "The World's Monetary Stocks," many countries have stocks of monetary silver. The United States silver certificate is United States currency and is issued only by the United States. Certain other countries have issued paper currencies which are redeemable in silver coins and against which reserves of silver coins are held, among such countries being British India, Mexico, and Cuba.

5. Q. Since when have silver certificates been used as money in the United States?—A. Silver certificates were first authorized by the act of February 28, 1878.

6. Q. Are our silver certificates acceptable at face value in other nations?—A. So far as is known silver certificates are accepted everywhere on the same basis as other United States paper currency.

7. Q. When did our Government first begin coining silver at a profit?—A. The act of February 21, 1853, authorized the coinage of fractional silver coins containing about 7 percent less silver than the proportional weight of the silver dollar. Silver dollars were first coined out of silver costing less than the monetary value of the coin in pursuance of the act of February 28, 1878.

8. (a) Q. Is all profit on the coinage of silver termed seigniorage?—A. Broadly speaking, all "profit" on the coinage of silver is termed seigniorage.

(b) Q. What has been the total profit on the coinage of silver since the Silver Purchase Act was passed in 1934?—A. The enclosed extract from the Treasury Bulletin contains a table entitled "Seigniorage on silver" on a cumulative basis since January 1, 1934.

(c) Q. What becomes of this 45 percent profit?—A. Seigniorage on silver is entered on the Treasury's books as receipts under two headings, as shown on pages 2 and 3 of the enclosed Daily Statement of the United States Treasury. Seigniorage on newly mined domestic silver is included in the seigniorage on page 2 along with certain other items. Seigniorage on foreign silver is shown on page 3.

9. Q. What ratio do silver certificates in circulation bear to printing-press Federal Reserve notes in existence? Is the Secretary of the Treasury or the Federal Reserve banks allowed to take silver certificates out of circulation?—A. The

enclosed circulation statement of United States money shows the amounts of silver certificates and Federal Reserve notes outstanding and in circulation. The circulation of silver certificates is governed by the provisions of section 5 of the Silver Purchase Act of 1934 and section 821 (b) (2) of title 31, United States Code.

10. (a) Q. Who has control of the \$2,000,000,000 of idle, unused silver seigniorage now in the Treasury vaults, Congress or the Secretary of the Treasury?—A. As shown on page 1 of the enclosed Daily Treasury Statement, there are over 1,362,000,000 ounces of silver bullion at cost value in the general fund of the Treasury, valued at over \$663,000,000. This silver is administered in accordance with the enactments of Congress. As of possible interest, copies are enclosed of extracts from Annual Reports of the Secretary of the Treasury for various years. Pages 42 and 43 of the report for 1935 set forth the policy concerning monetization of newly acquired silver, and pages 130-135 of the report for 1940 review silver policy and seigniorage on silver.

(b) Q. And how can Congress claim there is no money for old-age pensions with \$2,000,000,000 of idle silver on hand?—A. It has been the Government's policy, as explained in full in the Secretary's annual report of 1935, to issue silver certificates only up to the cost of the silver acquired under the silver purchase program. Certificates have been issued up to that amount.

11. Q. Are new silver certificates based upon bullion out of these "profits"?—A. Silver certificates are issued against silver held in the account entitled "Silver" on page 1 of the Daily Treasury Statement. No silver certificates are issued against the silver in the general fund.

12. Q. How are the Government-owned silver certificates paid into circulation and who has the "say" as to what silver shall lie idle, or what proportion shall be used as money?—A. New silver certificates which are not paid out at the office of the Treasurer of the United States are deposited in Federal Reserve banks in exchange for deposit credits where they are paid out by the Federal Reserve banks as required by the demands of the public for additional paper currency. The Secretary of the Treasury has authority to issue silver certificates against silver purchased under section 3 of the Silver Purchase Act of 1934 (sec. 5 of the act of June 19, 1934, 48 Stat. 1178, U. S. C. title 31, sec. 405 a).

The President has authority to issue silver certificates against any silver bullion, silver, or standard silver dollars in the Treasury not then held for redemption of any outstanding silver certificates (sec. 12 of the act of January 30, 1934, 48 Stat. 342, U. S. C. title 31, sec. 821 (b) (2)).

Very truly yours,

D. W. BELL,
Under Secretary of the Treasury.

TREASURY DEPARTMENT,
Washington, May 8, 1942.

HON. COMPTON I. WHITE,
House of Representatives,
Washington, D. C.

MY DEAR MR. WHITE: Reference is made to your letter of May 4 to the Secretary of the Treasury requesting information relative to the amounts of gold certificates, silver certificates, national bank notes, and Federal Reserve notes of the large size outstanding at the present time.

The amounts of these kinds of the old series or large size paper currency outstanding on April 30, 1942, were as follows:

Gold certificates.....	\$28, 136, 224. 00
Silver certificates.....	31, 305, 427. 00
National bank notes.....	34, 360, 061. 50
Federal Reserve notes.....	58, 699, 170. 00

Very truly yours,

D. W. BELL,
Under Secretary of the Treasury.

[From the Congressional Record, February 12, 1942, p. 9572]

THE PRESENT USE OF GOLD AND SILVER IN OUR MONETARY SYSTEM

Extension of Remarks of Hon. Compton I. White of Idaho in the House of Representatives, Thursday, February 12, 1942

STATEMENT AND LETTER SUBMITTED BY HON. COMPTON I. WHITE, OF IDAHO

Mr. WHITE. Mr. Speaker, many inquiries are being made as to the ownership of the gold stored in this country and its relation to our national currency system. To clear up any existing misunderstanding concerning the status of this gold in our monetary system and the status of silver and the profits made by the Treasury in the form of silver seigniorage I have prepared a statement analyzing the gold and silver items appearing on the Treasury statement of June 12, 1941, printed herewith in answer to a letter I have received and which I submit for inclusion in the Record under permission to revise and extend my remarks.

The Treasury statement follows:

Office of the Secretary of the Treasury—Daily Statement of the United States Treasury, compiled from latest proved reports from Treasury offices and depositories, June 12, 1941

CURRENT ASSETS AND LIABILITIES

GOLD

ASSETS		LIABILITIES	
Gold (ex. 645,695,178.5).....	\$22,599,331,246.28	Gold certificates:	
		Outstanding (outside of Treasury).....	\$2,878,476,189.00
		Gold certificate fund—Board of Governors, Federal Reserve system.....	17,498,287,510.80
		Redemption fund—Federal Reserve 5% notes.....	9,506,153.36
		Gold reserve.....	156,039,430.93
		Notes.—Reserve against \$446,681,016 of United States notes and \$1,169,822 of Treasury notes of 1890 outstanding. Treasury notes of 1890 are also secured by silver dollars in the Treasury.	
		Exchange stabilization fund.....	1,800,000,000.00
			22,342,309,284.06
		Gold in general fund:	
		Balance of increment resulting from reduction in the weight of the gold dollar.....	\$143,161,553.72
		In working balance.....	113,860,408.47
			257,021,962.19
Total	22,599,331,246.28	Total	22,599,331,246.28

SILVER

ASSETS		LIABILITIES	
Silver (ex. 1,168,735,990.1).....	\$1,433,517,243.65	Silver certificates outstanding.....	\$1,916,433,191.00
Silver dollars(ex. 381,192,905.7).....	492,855,474.00	Treasury notes of 1890 outstanding.....	1,169,822.00
Total.....	1,926,372,717.65	Silver in general fund.....	8,778,794.65
		Total.....	1,926,372,717.65

Office of the Secretary of the Treasury—Daily Statement of the United States Treasury, compiled from latest proved reports from Treasury offices and depositories, June 12, 1941—Continued

CURRENT ASSETS AND LIABILITIES—Continued

GENERAL FUNDS

ASSETS		LIABILITIES	
Gold (as above).....	\$257,021,902.19	Treasurer's checks outstanding.....	\$28,365,346.18
Silver:		Deposits of Government officers:	
A monetary value (as above).....	8,778,794.65	Post Office Department.....	12,556,574.13
Subsidiary coin (ex. 2,218,804.2).....	3,067,294.50	Board of trustees, Postal Savings System:	
Bullion:		5-percent reserve, lawful money.....	50,300,000.00
At coinage value (ex. 236,851.8).....	327,426.03	Other deposits.....	4,689,242.18
At cost value (ex. 1,350,317,670.8).....	666,354,764.20	Postmasters, clerks of courts, disbursing officers, etc.....	87,044,680.54
Minor coin.....	2,581,089.63	Uncollected items, exchanges, etc.....	15,945,463.09
United States notes.....	1,993,181.00		209,001,339.12
Federal Reserve notes.....	12,885,362.50	Balance today:	
Federal Reserve bank notes.....	228,135.00	Increment on gold (as above).....	\$143,161,553.72
National bank notes.....	271,595.00	Seigniorage (silver) see note.....	604,700,956.10
Unclassified—Collections, etc.....	22,092,326.38	Working balance.....	1,799,550,962.48
Deposits in:			
Federal Reserve banks.....	993,577,884.10		
Special depositories account of sales of Government securities.....	654,004,000.00		
National and other bank depositories:			
To credit of Treasurer United States.....	69,662,477.80		
To credit of other Government officers.....	61,444,268.37		
Foreign depositories:			
To credit of other Government officers.....	213,160.58		
Philippine treasury:			
To credit of Treasurer United States.....	1,970,579.09		
Total.....	2,756,474,811.42	Total.....	2,756,474,811.42

MISS FLORENCE SELBY,

Eagle, Idaho:

In answering your communication of June 11, I wish more of the people of this country would give their attention to the principles and the workings of our monetary system. I am very pleased to give you such information as I can on this subject, a subject which I feel is paramount to all other issues affecting the welfare of our country and the American people.

Answering your question as to who owns the gold stored in this country, there is enclosed a copy of the daily statement of the United States Treasury for June 12, the day following the date of your card. Under the heading "Gold" on the credit side, you will find the first item, \$2,878,476,189 represents the gold for which gold certificates (warehouse receipts) have been issued and delivered to the Federal Reserve banks, to be held in the reserve fund of the Federal Reserve Banking System. The item also includes gold held in a fund set aside to redeem outstanding gold certificates called in for redemption under the provisions of the Gold Reserve Act of 1936, amounting to \$60,000,000 of old series of certificates that for some reason have never been returned for redemption.

The next item of \$17,498,287,510.80 represents the gold held as security for gold certificates (warehouse receipts) in the possession and ownership of the Federal Reserve Banking System. The next item, \$9,506,153.36 (redemption fund), is held as security for the redemption of outstanding Federal Reserve notes, and to all intents and purposes is the property of the holder of the several denominations of the paper dollar (Federal Reserve notes) bills circulating against the gold.

The next item, \$156,039,430.93, as explained by the note just below the item on the balance sheet, is held as security against the United States notes and Treasury notes outstanding (in circulation), to all intents and purposes the property of the holder of the paper dollar bills now in circulation or being hoarded some place.

The next item of \$1,800,000,000 represents the famous stabilization fund which came into being by changing the gold in the dollar from 25.8 to 15.5/21 grains;

thereby increasing the number of dollars as represented by the gold taken over into nominal ownership of the Government under the provisions of the Gold Reserve Act of 1934, which increased the dollar value to a little over \$2,000,000,000. This increment was set aside at the time of the change as a fund to be used by the Secretary of the Treasury to stabilize (manipulate) the value of the United States money in relation to foreign money by the process of buying or selling our money or their money as the exigency might require.

The next item of \$257,021,962.19 includes \$143,161,553.72, the balance of the increment of gold subsequently acquired which has not been used or included in other items. It also includes gold delivered to the Treasury by Federal Reserve banks for which gold certificates have not been issued.

So you see, reduced to fundamental principles, the only gold actually owned by the United States Treasury is the gold in the stabilization fund of \$1,800,000,000, which will not be spent in paying Government expenses or put in circulation in our regular currency system, except the item of \$143,161,553.72, "the balance of the gold increment resulting from the reduction in the weight of the gold dollar" (see note on Treasury statement), which can only be spent by being transferred to the gold certificate fund of the Federal Reserve banks in exchange for bank credit. All gold enumerated in the other items is stored by the Government and is really owned by the banks, as represented by the Federal Reserve Banking System, just as wheat that the farmer delivers to a grain elevator, for which he receives a warehouse receipt, is the property of the farmer or the firm to which he sells the wheat as represented by the warehouse receipt; with the difference, of course, that the farmer must pay the taxes and storage charges on his wheat, while the gold is nominally the property of the Treasury, and the banks, the real owners or its equivalent in gold certificates, escrow storage, insurance charge, and taxes.

As this is Sunday afternoon with no one else about the office and I am on an interesting subject, I might explain the item of silver in the Treasury statement as I understand it. For a more extensive discussion of silver, see my answer to 68 eminent economists made in the March 10, 1939, issue of the Congressional Record, a copy of which is enclosed.

The silver items represent all the silver owned and in the possession of the United States Treasury. The Treasury is buying silver all the time. The silver mined in the United States is bought at the price fixed by law, 71.11 cents per ounce. The foreign silver is bought at the world market price of somewhere around 35 cents, the last time I noticed the quotation.

In taking up the silver items as shown on the Treasury statement, we find on the debit side assets of two items. The first (1,108,735,993.1 ounces) valued at \$1,433,517,243.65. The second item is silver dollars on deposit in the amount of \$492,855,474, making a total of almost \$2,000,000,000, or exactly \$1,926,372,717.65. (A dollar is roughly seven-eighths of an ounce of silver, of 417½ grains of standard silver, which is equal to 371½ grains of pure silver with 10-percent copper added when coined.)

On the credit side we find the account balanced with \$1,916,433,191, represented by silver certificates in circulation in the form of \$1, \$5, and \$10 bills, money that is in circulation and is being handled every day in every community in the United States.

The next item, \$1,160,822, represents silver held as security for redemption of Treasury notes of 1890. These notes are, in fact, a reissue of the famous greenbacks of Civil War days. The item of \$8,778,704.65 represents silver money that has flowed back to the Treasury and its several branches throughout the country in its transaction of Government business.

So you see, the three items just mentioned on the credit side balances with the two items on the debit side, which represents the money value of silver currency. But there is more silver owned by the Treasury.

Coming down to the items in the general fund, you find the first silver item of \$8,778,704.65 on the debit side is the same item as the last item on the credit side above under the heading of "Silver" coins (or certificates) reserved and on hand for transacting Government business. The next silver item of \$3,067,294.50 represents subsidiary coins (half dollars, quarters, and dimes) on hand. The item of \$327,426.03, expressed in the terms of ounces (236,851.8) represents, I am told, defective, abraded, and mutilated coins on hand waiting to be reminted.

The next item as carried on the statement of \$666,354,764.20 represents silver on hand and owned by the Government not in use as money in any form. This item of silver represents neither its actual cost to the Treasury nor its coinage value as money.

The statement shows it to be 1,350,317,670.8 ounces of silver, which if coined

would be \$1,745,865,267.64. This silver was obtained by buying silver at the market price in the domestic and foreign market, with enough of the silver so purchased revalued by the Treasury up to its coinage value equal in an amount to equal the total cost of the silver acquired. This revalued silver is then set aside in a reserve fund against which its dollar value equivalent is issued and put in circulation as money in the form of silver certificates (legal tender currency redeemable in silver dollars). This idle silver, like the gold in the stabilization fund, represents an increment without actual cost to the Government and the entry to the statement is equivalent to the item carried representing the gold in the stabilization fund.

By way of explanation of the financial status of the unused silver, we find that while the Treasury carries a cost value of this idle silver at \$666,354,764.20, in fact, it has issued and its creditors have accepted silver certificate currency up to the total cost of all the silver bought, this item represents the allocation of that part of the cost of purchasing this silver, based on the actual cost of all the silver purchased from any source by the Government before any part of the silver was revalued for use as money in the national currency system.

On the other side of the statement (liabilities) as an offset there is the item \$604,760,956.10 seigniorage (silver) but this is not the total profit on the silver that has been purchased. On page 2 of this same statement we find in the general and special accounts another item seigniorage \$63,692,754.44 for the fiscal year 1941, representing another profit made in minting and placing in circulation the subsidiary silver coins (half dollars, quarters, and dimes) between the cost of the silver and the face value of the coins.

In considering the total actual profit made on silver since the Silver Purchase Act went into operation, in consulting the bulletin of the Treasury Department of January 1942 we find on page 79 that the seigniorage (profits) on silver dollars and silver certificates amounts to \$580,400,000 and the seigniorage (profits) on subsidiary coins (half dollars, quarters, and dimes) amounts to \$182,100,000. Taken together, the seigniorage totals \$799,700,000. The Treasury statement goes further and gives the potential seigniorage on the idle silver in the general fund at \$1,089,000,000.

The continued use of the silver money now in circulation and utilization of the idle silver as money is the subject of considerable controversy. When we consider the function of money and the present state of our country's finances in relation to our national indebtedness, and the stimulating effect of a new gold discovery on business and the national income, it appears the idle silver should be put to use as money to service business in the form of silver certificates, currency of small denominations, the same kind of money that is now flowing in the channels of trade and business in the form of \$1, \$5, and \$10 bills, money that is eagerly accepted through the country, the kind of money that is created and paid out by the Government in paying current expenses, a currency that circulates continuously minus the interest charge inherent to the issuance and circulation of Federal Reserve bank note currency.

Trusting I have answered your question, I am,

Sincerely yours,

COMPTON I. WHITE,
Member of Congress.

[From the Congressional Record, May 14, 1942, p. 1929]

THE CASE FOR SILVER

Extension of Remarks of Hon. Compton I. White, of Idaho, in the House of Representatives, Wednesday, May 13, 1942

Mr. WHITE. Mr. Speaker, in reading current newspapers and many of the leading publications, it is very evident the real facts concerning the place of silver in our monetary system and the profit the Government is making on its silver-purchase program is not understood by the public in general, and for some reason is being purposely misrepresented to the average reader.

In an endeavor to correct this situation and present factual information concerning silver, the records of the Treasury Department have been consulted, and I have endeavored to present these facts in a radio address in a Nation-wide broadcast which I submit for printing in the Record:

"With so much being said about silver and the Government's silver purchasing program and the cost of this program to the American people, I am sure everybody listening in will be interested to learn the facts about silver and the way the

Government finances the purchase of silver and the use of this metal in our monetary system. There is much to be said about the fundamental principles of money and the use of gold and silver as money, but I desire to address myself to stating the facts concerning the present-day purchase and use of silver as money and to avoid a tedious recitation of figures. I shall use as far as practical round numbers in stating these facts.

"The figures presented in the Treasury statement from day to day and the compilation of figures in the Treasury bulletin issued every month contains the record of the Government's fiscal operations in buying and using silver as money. The profits the Government has actually made in buying and using silver under the Silver Purchase Act now stands, or did on the 20th day of April, at \$997,000,000. This money, or the profit on silver, is now invested in the unvalued silver which amounts to one and a third billion ounces and is carried in the Treasury account as an item in the general fund.

"How has the Government made the profit that is represented by this surplus and unused silver? Simply by purchasing domestic and foreign silver at the prevailing market prices and then revaluing the metal that is used for monetary purposes. The Treasury statement discloses that the Government has revalued and put in circulation as money enough silver to evenly balance with all the money that has been spent in buying silver—and in doing this has placed in circulation silver money amounting to \$2,024,000,000 in silver dollars and silver certificates. These certificates are redeemable in silver dollars. The silver money in circulation is chiefly silver certificates in the form of \$1, \$5, and \$10 bills, as you will find in checking the daily Treasury statement.

"To give you an example of how the plan has worked, we can compare it to the transaction of a miller in taking toll when the farmer brings in his grain to the mill to have it ground into flour or meal; the farmer's grain is measured and dumped into the receiving bin; the miller takes out the toll (his share) and puts it into the toll bin, and then grinds the farmer's grain and delivers it back to him without further costs. In the case of domestic silver the miner brings his bullion to the mint and gets for every ounce 71.11 cents in silver certificates (paper money), by which the Government puts a value on the silver the miner brings in of \$1.25 per ounce. The silver left over is put in the Treasury toll bin, general fund. Under this plan the Treasury has piled up—and here I'm going to give you the exact figures—1,364,566,969.1 ounces of unvalued silver, as shown on the Treasury statement of April 20 this year.

"This plan has worked so well and made such a big profit for the Government we wonder why the Treasury doesn't use the balance of its silver the same way, just as it is doing with the first half, revalue it and issue its equivalent in silver certificates, cash money, in paying some of the Government's running expenses. I do not believe anybody would say Uncle Sam does not need this money, especially when we have unused in the Treasury a billion and one-third ounces of silver bullion ready to be revalued which would bring its money value up to one and three-fourths billion dollars that can be kept on hand to redeem the new crisp paper bills, the kind of money that is being engraved by the Treasury every day.

"There is nothing in the law to prevent it. Section 5 of the Silver Purchase Act provides:

"The Secretary of the Treasury is authorized and directed to issue silver certificates in such denominations as he may from time to time prescribe in a face amount of not less than the cost of all silver purchased under the authority of section 3, and such certificates shall be placed in actual circulation."

"Please note the provision just quoted 'not less than the cost of all silver purchased.' There is nothing anywhere in the language of the law itself or in the amendment of July 6, 1939, that prevents the Secretary of the Treasury from putting the surplus silver owned by the Government into circulation as money. It may be that the Secretary is afraid of inflation—evidently this fear has failed to influence the policy of the Federal Reserve banks.

"In checking the record we find that we had most of this idle silver on June 30 a year ago—when the Federal Reserve money in circulation was a little over \$7,000,000,000, and now, according to the circulation statement of the Treasury, regardless of inflation, the Federal Reserve banks have put another \$2,000,000,000 of this kind of bank-note money in circulation and are steadily increasing the amount. The Treasury circulation statement for March shows the Federal Reserve money in circulation has been increased to \$9,056,000,000, and now comes along the April circulation statement showing a further increase of \$200,000,000. And we, you and I, and the rest of the good American people, still have our idle silver.

"The papers persist in telling us how useless the silver is and how we should get rid of it. Make electric bars of it, make anything out of it, anything to get rid of it. They might just as well talk about retiring the silver certificates and melting down the silver reserves now being held for their redemption. The one would reduce the monetary metal reserve as much as the other; the only difference would be that one lot of silver is in use as money and the other is available and ready to be put to the same use. There is not a line of law to prevent it—and I'm sure all of us agree that the Government needs the money just now, even the Defense-bond salesman will tell you that.

"The best answer to this barrage of propaganda against silver is the figures in the printed tables on silver seigniorage appearing regularly in the monthly bulletin of the Treasury Department, and for your information there is submitted the figures of three totals taken from the columns of the table appearing on page 80 of the March bulletin under the heading, 'Seigniorage on silver.' The total of the first column is \$192,400,000; this is seigniorage (profit) made in buying silver and minting the subsidiary coins, half dollars, quarters, and dimes; the next figure important for our consideration is the total shown in column 8 of \$804,700,000. This is the seigniorage or profit on silver that has already been revalued and put in circulation as dollars and silver certificates; add these two figures together and you get the actual profit the Government has made up to the present on the silver that the Government has bought and put into circulation, but there is a larger figure to take into account, the seigniorage on the silver that has been obtained and laid aside and is not as yet in use as money; whenever this extra silver is revalued and put into circulation in the form of silver certificates, the Government will realize the full amount of the profit on its silver-purchase program. The seigniorage on this unused silver remainder has been taken into account by the Treasury and appears in the total in this table under the heading, 'Potential seigniorage on silver bullion at cost in the general fund.' I give you the exact figure amounting to \$1,096,300,000.

"I know that I have promised not to tire you with a tedious recital of figures but to get the facts and determine the full amount the Government has made on its silver-purchase program, it will be necessary to add the three silver seigniorage items shown in the Treasury statement which makes a grand total of \$2,093,000,000. In the face of these figures and the incontrovertible facts, what becomes of all this barrage of propaganda concerning the loss the Government is taking in buying silver?

"The fact is that the gains made by the Treasury in revaluing both gold and silver are about even, the increment on gold being a little more than the increment on silver. Both of these figures show up every day in the Treasury statement. The gold increment is set aside in the stabilization fund carried now at \$1,800,000,000 and silver increment put in the general fund in terms of ounces (unvalued) is carried at the original cost of the silver before the seigniorage is taken into account.

"This is a bookkeeping entry that may be compared to the transaction of a wheat buyer purchasing wheat for 70 cents a bushel and selling it for \$1 a bushel and keeping his working capital in hand by selling up to the cost of his wheat as fast as it comes in. When he has bought up to a thousand bushels for \$700 and sold 700 bushels for \$1 a bushel and has 300 bushels on hand, his bookkeeping entry would show his 300 bushels representing an investment of \$210 when in fact he has his money all back and the 300 bushels of wheat to show a profit.

"So it is with surplus silver in the Treasury carried at \$664,421,302.95 in the Treasury statement but when we come to analyze this situation, if the seigniorage is taken into account, this surplus silver did not actually cost anything and as to the seigniorage item, it is either one thing or another. If it is entered as a profit to the Government, then the surplus silver represents what it cost. If the seigniorage is not carried on the Treasury books as a profit, then the total surplus silver represents a profit which may account for the Secretary's sidestepping the question recently when he was asked as to the extent of the loss the Government might sustain in disposing of its surplus silver.

"With these facts so obvious and easily understood and the patriotism of our leading publications being constantly proclaimed, it is difficult to understand the barrage of propaganda and innuendo appearing in these high-class publications against silver. The interest income the banks would get if this form of cash was retired and replaced with Federal Reserve currency is well understood although it is difficult to believe that the patriotism of our bankers would permit a profit motive to outweigh their interest in the welfare of the American people struggling under the overburden of an interest load; as for our leading publications, it is

difficult to understand their motive in putting out all this flood of misleading propaganda against silver.

"In closing let me quote the immortal words of one of America's greatest statesmen, James G. Blaine, Speaker of the House of Representatives, when he said:

"If, therefore, silver has been demonetized, I am in favor of ordering it to be resumed. If it has been restricted, I am in favor of having it enlarged. The two metals have existed side by side in harmonious, honorable companionship as money, ever since intelligent trade was known among men. It is well-nigh 40 centuries since 'Abraham weighed to Ephron the silver which he had named in the audience of the sons of Heth—400 shekels of silver current money with the merchant.' Since that time nations have risen and fallen, races have disappeared, dialects and languages have been forgotten, arts have been lost, treasures have perished, continents have been discovered, islands have been sunk in the sea, and through all these ages and through all these changes, silver and gold reigned supreme, as the representative of value, as the media of exchange. The dethronement of each has been attempted in turn and sometimes the dethronement of both; but always in vain. And here we are today, deliberating anew over the problem which comes down to us from Abraham's time—the weight of silver—that shall be 'current money with the merchant.'"

[From the Congressional Record, April 20, p. 3976]

MONETARY POLICY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Idaho (Mr. White) is recognized for 20 minutes.

Mr. WHITE. Mr. Speaker, today is pay day in the Capitol of the United States. It is very interesting to go into the office of the Sergeant at Arms of the House and then go over to the disbursing office of the Senate and see all the young folks, the clerical help employed about the Capitol, lined up and drawing down their pay, cashing their Government checks, and being handed out cash for those checks.

When we stop to think of the operations of the Treasury's fiscal policy, it is interesting to see that most of the money that is being paid to these folks, being paid to the Senators, and being paid to the Members of the House, is silver certificates, in \$1, \$5, and \$10 denominations, that are redeemable in silver dollars, silver that is costing the Government, so the magazine Time said in an article I have just read, and that is borne out by the record of the Treasury, about 50 cents. In other words, instead of its costing the Government \$10,000 a year to maintain one Congressman in Washington, it costs the Government in actual cash about \$5,000 a year. That is a very interesting situation.

Today when the Sergeant at Arms was himself on hand I took occasion to draw a little check in the amount of \$16 in drawing down some of the pay that is due me for serving here in this capacity. The Sergeant at Arms handed me a brand-spanking-new \$1 bill, a \$5 bill, and a \$10 bill. On each one of these bills is inscribed "Redeemable in silver."

It was such an interesting fact, and so well refutes the constant barrage of propaganda put out against the Government's silver policy, that I took occasion to have a photographer on hand, a gentleman with a flash bulb and a camera, to take a picture and give ocular evidence that there was such a policy in operation by the Government, and that we are being paid with money "as good as gold," these silver certificates, flowing through the channels of trade and business, in every pocket and every till in this country where money is handled, certificates on which the Government is making a profit and on which the good people of the United States are making a big saving every day in the form of interest that they would have to pay if this money were retired and replaced by Federal Reserve notes.

Mr. Speaker, I want to refute this specious propaganda that is being put out against one of the best pieces of money ever invented, the American silver dollar, a monetary unit which we got from the good people of Poland, as I mentioned in my remarks a few minutes ago. I take this occasion to answer a pronouncement by 65 members of the Economists' National Committee on Monetary Policy. They have just made a pronouncement under date of April 20 against the silver-purchase program of the Government and against this kind of money, on which the Government is making a profit and on which the people are making a huge saving in interest.

Mr. Speaker, I ask unanimous consent that in connection with my remarks there may appear in toto, with all the signatures attached, this communication from the Economists' National Committee on Monetary Policy, and also the

tables giving the seigniorage on silver, taken from page 80, March Bulletin of the Treasury Department.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Idaho?

There was no objection.

Mr. WHITE. Mr. Speaker, the statement of the Economists' National Committee on Monetary Policy is as follows:

"SIXTY-FIVE MEMBERS URGE CONGRESS TO REPEAL THE SILVER PURCHASE ACT OF JUNE 19, 1934, AND THE DOMESTIC SILVER PURCHASE LAW OF JULY 6, 1939

APRIL 20, 1942.

"We the undersigned members of the Economists' National Committee on Monetary Policy, again urge Congress to repeal the Silver Purchase Act of June 19, 1934, and the domestic silver purchase law of July 6, 1939.

"The former has never been sound in principle or practice, the common arguments for it were neither valid nor admirable, and its results have in the main been harmful to both the United States and certain foreign countries.

"The latter act has been an indefensible subsidy to the domestic producers of silver and has forced the Treasury to pay approximately twice the world market price for this domestic silver with the consequence that the Treasury has greatly overvalued the silver which it holds.

"Both acts have disturbed the silver markets of the world, have drained silver from industry and other countries' treasuries to our Treasury vaults, and have been important factors in the expansion of our money supply at a time when such expansion has been unnecessary and undesirable.

"It is gratifying to note that both Secretary of the Treasury Morgenthau and Chairman Eccles of the Board of Governors of the Federal Reserve System are recommending the repeal of these laws. In January of this year, Secretary Morgenthau stated to the House Appropriations Committee that 'So far as I am concerned, I will be glad to see Congress strike all of the silver legislation off the books.' In the hearings before the Committee on Ways and Means of the House in March and at a press conference in February he again made similar statements. Chairman Eccles, in a letter to Senator Arthur H. Vandenberg on March 30, this year, stated that his views on this matter are generally in accord with those expressed by Secretary Morgenthau. Chairman Eccles pointed out in this letter that he had held these views for several years, and added: 'In view of the war situation, it is all the more urgent that the inflationary effects of the silver program be removed and that so far as possible the materials, machinery, and labor now devoted to silver production be utilized in the war effort.'

"On April 20, 1934, the executive committee of the Economists' National Committee on Monetary Policy issued a statement opposing the enactment of the pending Silver Purchase Act of 1934.

"Substantial majorities of the full committee signed pronouncements in opposition to the Government's silver program as follows:

"May 25, 1936: Recommending abandonment of the silver-purchase policy and that Treasury silver be disposed of as advantageously as possible;

"June 14, 1937: Advocating repeal of the silver-purchase program;

"December 28, 1937: Urging, among other things, repeal of the Silver Purchase Act of 1934;

"December 23, 1938: Urging that Government subsidy to silver interests be ended and that the Silver Purchase Act be repealed;

"May 15, 1939: Urging enactment of the Townsend bill repealing the Silver Purchase Act of 1934; and

"September 30, 1941: Recommending, among other things, repeal of the Silver Purchase Act of 1934 and of the act of July 6, 1939, providing for the purchase of domestic silver at 71.11 cents per ounce—approximately twice the market price.

"We agree with Secretary Morgenthau's statement of January that if the Government's silver program were repealed * * * it would be helpful at this time. I think it would be well received."

"Signed: Eugene E. Agger, Rutgers University; Benjamin M. Anderson, Jr., University of California in L. A.; Charles C. Arbuthnot, Western Reserve University; Don C. Barrett, Haverford College; Benjamin H. Beckhart, Columbia University; James Washington Bell, Northwestern University; Ernest L. Bogart, University of Illinois; Frederick A. Bradford, Lehigh University; William A. Brown, Jr., Brown University; J. Ray Cable, Washington University; Wilbur P. Calhoun, University of Cincinnati; N. I.

Carothers, Lehigh University; Edward H. Collins, New York Herald Tribune; Garfield V. Cox, The University of Chicago; William W. Cumberland, Wellington & Co., New York; Charles A. Dice, The Ohio State University; D. W. Ellsworth, E. W. Aze & Co., Inc., New York; William D. Ennis, Stevens Institute of Technology; Fred R. Fairchild, Yale University; Clyde Olin Fisher, Wesleyan University; J. Anderson Fitzgerald, The University of Texas; Herbert F. Fraser, Swarthmore College; Roy L. Garis Vanderbilt University; Arthur D. Gayer, Queens College; Harry D. Gideonse, Brooklyn College; Earl J. Hamilton, Duke University, with reservations as to second paragraph; Lewis H. Haney, New York University; E. C. Harwood, American Institute for Economic Research; Hudson B. Hastings, Yale University; William F. Hauhart, Southern Methodist University; Frederick C. Hicks, University of Cincinnati; John Thom Holdsworth, The University of Miami; Edwin W. Kemmerer, Princeton University; William H. Klekhofer, The University of Wisconsin; David Kinley, University of Illinois; William H. Kniffin, Bank of Rockville Centre Trust Co., Long Island; Frederic E. Lee, University of Illinois; J. F. Leonard, University of Southern California; James D. Magee, New York University; Arthur W. Marget, University of Minnesota; A. Wilfred May, New York City; Mark C. Mills, Indiana University; Margaret G. Myers, Vassar College; Melchior Palyi, The University of Wisconsin; Ernest Minor Patterson, University of Pennsylvania; Clyde W. Phelps, University of Chattanooga; Charles L. Prather, Syracuse University; Howard H. Preston, University of Washington; Leland Rex Robinson, 76 Beaver Street, New York; R. G. Rodkey, University of Michigan; Olin Glenn Saxon, Yale University; Joseph A. Schumpeter, Harvard University; Walter E. Spahr, New York University; Oliver M. W. Sprague, Harvard University; William H. Steiner, Brooklyn College; Charles S. Tippet, Mercersburg Academy; Alvin S. Tostlebe, The College of Wooster; James B. Trant, Louisiana State University; Rufus S. Tucker, Westfield, N. J.; Russell Weisman, Western Reserve University; William O. Weyforth, The Johns Hopkins University; Nathaniel R. Whitney, The Procter & Gamble Co., Cincinnati; Edward Wiest, University of Kentucky; Max Winkler, College of the City of New York; Ivan Wright, Brooklyn College."

Mr. Speaker, for the information of the Members of the House and especially for the enlightenment of all these 65 economists, there is inserted below a table appearing on page 80 of the March Bulletin of the Treasury Department, containing the record of seigniorage made on the silver purchases under the Silver Purchase Act of 1934.

Seigniorage on silver
(Cumulative from Jan. 1, 1934—In millions of dollars)

End of calendar year or month	Seigniorage on silver and minor coins	Sources of seigniorage on silver bullion revalued ¹					Total seigniorage on silver revalued	Potential seigniorage on silver bullion at cost in general fund ²
		Miscellaneous silver (including silver bullion held June 14, 1934)	Newly mined silver (proclamation of Dec. 21, 1933)	Newly mined silver (act of July 6, 1935)	Silver Purchase Act of June 19, 1934	Nationalized silver (proclamation of Aug. 9, 1934)		
1934.....	4.5	48.7	0.4	-----	51.1	28.5	125.7	122.4
1935.....	15.5	48.7	16.3	-----	226.2	34.5	330.2	324.9
1936.....	40.1	48.7	26.0	-----	332.7	34.7	422.1	397.5
1937.....	63.7	48.7	35.0	-----	390.7	34.7	508.1	541.8
1938.....	69.5	48.7	74.9	-----	427.7	34.7	615.0	705.4
1939.....	91.7	48.7	87.3	4.2	530.7	34.7	705.5	860.8
1940.....	122.2	48.7	87.6	20.7	562.7	34.7	799.4	1,064.1
1941.....	152.1	48.7	87.6	48.3	580.4	34.7	796.7	1,063.0
1942:								
January....	158.5	48.7	87.6	50.2	581.3	34.7	802.5	1,064.1
February....	162.4	48.7	87.6	51.6	582.1	34.7	804.7	1,064.1

¹ These items represent the difference between the cost value and the monetary value of silver bullion revalued and held to secure silver certificates.

² The figures in this column are not cumulative; as the amount of bullion held changes, the potential seigniorage thereon changes.

Basis: Daily Treasury Statements.

Mr. Speaker, what I want to know is, what is it worth to the banks to keep silver money out of circulation? And in connection with that I should like to know what is the profit to the Government and the saving to the American people in using silver money in transacting business?

Now I am going to read you my reply to these eminent economists of the leading institutions of higher education in this country, analyzing and making response to this communication put out to the country, the President, and the Congress for their guidance:

"To the Members of the Economists' National Committee on Monetary Policy:

"GENTLEMEN: In considering the recommendations of your committee of 65 economists to repeal the Silver Purchase Act of June 19, 1934, and the domestic silver-purchase law of July 6, 1939, made in your communication of April 20, presumably addressed to the President, the Congress, and the country, you state: 'Its results have been harmful to both the United States and certain foreign countries.' How has it been harmful? Do you seek to imply that \$2,024,000,000 in the form of silver dollars and silver certificates, \$1, \$5, and \$10 bills, redeemable in silver dollars now in circulation in the channels of trade and business, is harmful to our national economy or to the American people?

"For fear that some of the details of the Treasury fiscal operations may have escaped the notice of the members of your economists' committee, and, to be more specific, let me point out to you, gentlemen, first, that on the day your communication was issued, April 20, there were \$1,982,101,367 in silver certificates outstanding, which, as you know, are redeemable in silver dollars (April 20 daily statement, U. S. Treasury), and in addition there were 62,327,405 silver dollars in circulation (March 31 Treasury Statement, United States money in circulation)—money issued by the Government interest free and in use throughout the country in handling the Nation's business—the kind of money that your members have steadily opposed; money which you say is harmful and should never have been issued, and now could best be replaced by unredeemable Federal Reserve currency, the other kind of money which business or the Government would be required to borrow from the bank at interest to get it issued and must continue to pay interest to the loaning banks to keep it in circulation.

"In making your recommendations, it would be interesting to know if the members of your committee have calculated the difference in cost on the item of interest between the expense of using Federal Reserve money and the use of interest-free silver money to which your members object so strenuously, or in this connection has your committee considered the profits accruing to the Government in purchasing domestic and foreign silver and revaluing it and putting it into circulation as money in paying current Government expense. For fear that by some mischance all of your 65 members may have overlooked some of these small items, there is presented the record of seigniorage taken from the report of the Secretary of the Treasury (Treasury Bulletin, March 1942) which I submit for your files and information in event you desire to have the actual facts, to wit:

"On page 80 of this bulletin we find the following totals of seigniorage on silver:

"(2) Total seigniorage on silver revalued less minor coins (January 1, 1934, to February 28, 1942), \$804,700,000;

"(2) The total seigniorage on minor coinage (January 1, 1934, to February 23 1942) \$192,400,000, which represents the actual gain to the Government on this silver by revaluing it and putting it out as money.

"This still leaves the Government with a surplus of unused silver amounting to 1,364,566,989.7 ounces on hand in the general fund, as appears on Treasury statement of even date with your communication (April 20), surplus silver that can be revalued and put into circulation as money under existing law in the form of silver certificates or silver dollars by the Secretary of the Treasury amounting to \$1,764,288,605.24 when revalued for use as money.

"By consulting the Treasury statement, you will find that this silver has been taken into consideration by the Treasury in computing the seigniorage as appears in the last column of the table on page 80 of the March Treasury bulletin, headed 'Potential Seigniorage on Silver Bullion at Cost in General Fund,' amounting to a total of \$1,096,300,000. When you add up these three seigniorage items, which is the difference between the cost of the silver to the Government as bullion and its money value when issued by the Treasury in paying Government expense, you have a grand total of \$2,093,400,000 seigniorage, making a tidy profit of over \$2,000,000,000, which has and will accrue to the Government if the Treasury will use all the silver as money it has bought under the 'objectionable' Silver Purchase Act since 1934. Leaving out the item of potential seigniorage: To date the record discloses the Government has made on the silver used as money, a

total in seigniorage, amounting to \$997,000,000 and has, in addition, enough silver left over to make another \$1,096,300,000 in seigniorage as disclosed in the last Treasury bulletin, and you 65 eminent economists and educators in our leading institutions of learning object to our Government making this little profit in the present emergency, at a time when every monetary thread in the national financial fabric is strained to the utmost.

"When you consider the cost in the form of interest the people would be required to pay by retiring the silver money now in use and replacing it with Federal Reserve notes, think of what your plan would add to the expense of doing business.

"In order to determine the full amount that business has saved by our Government refusing to follow the money plan you have urged in your repeated recommendations, we must get the figures on silver in circulation year by year since the silver-purchase program went into effect in 1934 and calculate the interest on its equivalent in Federal Reserve money. I hope your committee will do that for your own information and the good of the American people.

"In this time of emergency and mounting tax load on business what valid objection is there to issuing the balance of silver the Government has on hand as money and putting this currency into circulation in paying current Government expenses? Inflation. Your committee will say pointing to all the danger to our national economy and the disastrous effect on the living standards of labor—if we increase the volume of cash—money of ultimate redemption in the channels of trade and business. If this is true, it may be that another fact has escaped the notice of all of your committee. If I may call this fact to your attention, the record discloses that on June 30, 1941, a little less than a year ago at a time when credit was vastly expanded in financing our national-defense program, there was Federal Reserve notes in circulation in the amount of \$7,001,520,625, and at the same time there was 1,349,488,385.7 ounces of surplus and idle silver in the Treasury which the Secretary of the Treasury could have revalued and issued as money in paying the Government's current expenses. Now less than a year later on March 31 we find the Federal Reserve has increased its currency in circulation to \$9,056,131,000, an increase of over \$2,000,000,000 and we still have the unused surplus silver left in the Treasury; to be exact the amount as of the date of your communication was 1,364,566,969.1 ounces. The money in circulation has been inflated all right but not by revaluing and using our idle silver. Money material which represents real profit to the Government now on hand and ready to be turned into \$1, \$5, and \$10 bills and put into circulation in paying Government expense just as is being done every day with the new silver that is coming in, these newly engraved silver certificates 'as good as gold' being paid to the Members of Congress and their clerical help are eagerly accepted in transacting business everywhere when the Government employees put them in circulation.

"In view of these incontrovertible facts and the heavy load of interest piling higher and higher on business everywhere, it is unfortunate, distressingly unfortunate, that the true situation and the real facts concerning the profits and the saving that the American people are deriving from their silver-purchase program is so confused, and so little understood, particularly by the educational leaders in this country. Surely in this critical hour when so much depends on the stability of national economy and the security of the monetary foundation on which both public and private credit must rest, the patriotism of our economist and educational leaders should direct their efforts first to understanding and presenting the true facts concerning money and then to advising and assisting those in charge of directing the affairs of our Government in establishing and maintaining a stronger national economy to safeguard the financial integrity of our Government and the business security of the American people by effecting any saving and obtaining any profits available in any quarter.

"Gentlemen, be patriotic; lend your knowledge and your ability to your country; help the Members of Congress representing the people to right the financial ship of state and provide an equitable, workable, adequate monetary system to lift business and the American people out of this morass of debt and ease this crushing burden of interest and taxes.

"Sincerely,

"COMPTON I. WHITE,
"Member of Congress."

Senator McCARRAN. Secretary Jones wishes to make a statement.

STATEMENT OF HON. JESSE H. JONES, SECRETARY OF COMMERCE

Mr. JONES. Mr. Chairman, there is one point that I think has not been made quite clear. If the Secretary of the Treasury is to issue money against silver that may be used in bus bars, I think the legislation must include that fact particularly and also the fact that the title to that silver remains in the Treasury. I doubt if we can follow the plan we have started with, that we can lend-lease silver and still issue currency against it. I think the legislation must take the course that the title to the silver remains in the Treasury. I do not think that that has been developed quite enough. I think the spirit of everybody here is to use the silver but to allow it to be used for dual purposes—that is, both in the war program and in the monetary program. That has to be taken into account.

Senator McCARRAN. That is right. There is just one thought that I wish to leave with you, Mr. Secretary, and that is this: It would be the policy of the chairman of this group at this time to work with you to the end that this legislation may be so worked out that the so-called truce, as you choose to term it, would be effective. To that end we would work.

Mr. MORGENTHAU. Yes.

Senator McCARRAN. To that end we shall gladly meet with you, with your experts, and with others interested here and try to go forward with this general policy.

Does that meet with the approbation of those present?

What would be the thought of your group as to the number who should serve on this committee to do the work?

Senator MURDOCK. Do you intend to include only Senate Members or to include House Members, too?

Senator McCARRAN. I do not have any authority or jurisdiction over the House. We would like to have their advice, counsel, and membership, as far as that is concerned.

Senator MURDOCK. I move that the chairman of this committee be empowered or authorized to appoint a committee of whatever number he thinks best to confer with representatives of the Treasury, the War Production Board, the Defense Plant Corporation, in the preparation and drafting of this legislation.

Senator McCARRAN. My offhand thought would be that five members would be ample.

Senator CLARK of Idaho. Three would be better.

Senator MURDOCK. I will amend my motion to conform with the suggestion of the chairman. I move that the chairman of the committee appoint a committee of five to confer with representatives of the Treasury and other agencies interested in this legislation.

Senator McCARRAN. Without objection, the motion made by the Senator from Utah is carried. The chair will appoint the committee between now and 1 o'clock and will notify the members who are so appointed.

I will also notify you, Mr. Secretary, and we will try to hold ourselves available. We are grateful to you for coming, and we appreciate your assistance.

total in seigniorage, amounting to \$997,000,000 and has, in addition, enough silver left over to make another \$1,096,300,000 in seigniorage as disclosed in the last Treasury bulletin, and you 65 eminent economists and educators in our leading institutions of learning object to our Government making this little profit in the present emergency, at a time when every monetary thread in the national financial fabric is strained to the utmost.

"When you consider the cost in the form of interest the people would be required to pay by retiring the silver money now in use and replacing it with Federal Reserve notes, think of what your plan would add to the expense of doing business.

"In order to determine the full amount that business has saved by our Government refusing to follow the money plan you have urged in your repeated recommendations, we must get the figures on silver in circulation year by year since the silver-purchase program went into effect in 1934 and calculate the interest on its equivalent in Federal Reserve money. I hope your committee will do that for your own information and the good of the American people.

"In this time of emergency and mounting tax load on business what valid objection is there to issuing the balance of silver the Government has on hand as money and putting this currency into circulation in paying current Government expenses? Inflation. Your committee will say pointing to all the danger to our national economy and the disastrous effect on the living standards of labor—if we increase the volume of cash—money of ultimate redemption in the channels of trade and business. If this is true, it may be that another fact has escaped the notice of all of your committee. If I may call this fact to your attention, the record discloses that on June 30, 1941, a little less than a year ago at a time when credit was vastly expanded in financing our national-defense program, there was Federal Reserve notes in circulation in the amount of \$7,001,520,625, and at the same time there was 1,349,488,385.7 ounces of surplus and idle silver in the Treasury which the Secretary of the Treasury could have revalued and issued as money in paying the Government's current expenses. Now less than a year later on March 31 we find the Federal Reserve has increased its currency in circulation to \$9,056,131,060, an increase of over \$2,000,000,000 and we still have the unused surplus silver left in the Treasury; to be exact the amount as of the date of your communication was 1,364,566,969.1 ounces. The money in circulation has been inflated all right but not by revaluing and using our idle silver. Money material which represents real profit to the Government now on hand and ready to be turned into \$1, \$5, and \$10 bills and put into circulation in paying Government expense just as is being done every day with the new silver that is coming in, these newly engraved silver certificates 'as good as gold' being paid to the Members of Congress and their clerical help are eagerly accepted in transacting business everywhere when the Government employees put them in circulation.

"In view of these incontrovertible facts and the heavy load of interest piling higher and higher on business everywhere, it is unfortunate, distressingly unfortunate, that the true situation and the real facts concerning the profits and the saving that the American people are deriving from their silver-purchase program is so confused, and so little understood, particularly by the educational leaders in this country. Surely in this critical hour when so much depends on the stability of national economy and the security of the monetary foundation on which both public and private credit must rest, the patriotism of our economist and educational leaders should direct their efforts first to understanding and presenting the true facts concerning money and then to advising and assisting those in charge of directing the affairs of our Government in establishing and maintaining a stronger national economy to safeguard the financial integrity of our Government and the business security of the American people by effecting any saving and obtaining any profits available in any quarter.

"Gentlemen, be patriotic; lend your knowledge and your ability to your country; help the Members of Congress representing the people to right the financial ship of state and provide an equitable, workable, adequate monetary system to lift business and the American people out of this morass of debt and ease this crushing burden of interest and taxes.

"Sincerely,

"COMPTON I. WHITE,
"Member of Congress."

Senator McCARRAN. Secretary Jones wishes to make a statement.

STATEMENT OF HON. JESSE H. JONES, SECRETARY OF COMMERCE

Mr. JONES. Mr. Chairman, there is one point that I think has not been made quite clear. If the Secretary of the Treasury is to issue money against silver that may be used in bus bars, I think the legislation must include that fact particularly and also the fact that the title to that silver remains in the Treasury. I doubt if we can follow the plan we have started with, that we can lend-lease silver and still issue currency against it. I think the legislation must take the course that the title to the silver remains in the Treasury. I do not think that that has been developed quite enough. I think the spirit of everybody here is to use the silver but to allow it to be used for dual purposes—that is, both in the war program and in the monetary program. That has to be taken into account.

Senator McCARRAN. That is right. There is just one thought that I wish to leave with you, Mr. Secretary, and that is this: It would be the policy of the chairman of this group at this time to work with you to the end that this legislation may be so worked out that the so-called truce, as you choose to term it, would be effective. To that end we would work.

Mr. MORGENTHAU. Yes.

Senator McCARRAN. To that end we shall gladly meet with you, with your experts, and with others interested here and try to go forward with this general policy.

Does that meet with the approbation of those present?

What would be the thought of your group as to the number who should serve on this committee to do the work?

Senator MURDOCK. Do you intend to include only Senate Members or to include House Members, too?

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I will also notify you, Mr. Secretary, and we will try to hold ourselves available. We are grateful to you for coming, and we appreciate your assistance.

Senator CLARK of Idaho. I am going to amend the motion by asking for unanimous consent that Senator McCarran be ex officio chairman of the committee. That is carried. [Laughter.]

Senator McCARRAN. Well!

Senator MURDOCK. Because of the chairman's modesty, I also will say that the motion is carried.

(At 11:40 a. m. the hearing was concluded.)

X

May 28, 1942
12:05 p.m.

HMJr: Hello.

Operator: Mahan.

Sidney
Mahan: Yes.

HMJr: Mr. Mahan.

M: Yes. Good morning, sir.

HMJr: Good morning. Who gave you the authority to put a billboard on the Treasury property? Hello.

M: Yes. That was the one that I showed you in Room 281 one morning.

HMJr: Yeah, but you didn't tell me where you were going to put it.

M: Well, I thought that had been all cleared, Mr. Secretary.

HMJr: With whom?

M: With Kuhn.

HMJr: With Kuhn?

M: I thought so.

HMJr: Well, I'll ask him. It certainly never was cleared with me. I'll ask him. Just - all right, thank you.

M: Yes.

May 28, 1942
12:06 p.m.

HMJr: Hello.

Operator: Mr. Kuhn.

Ferdinand Kuhn: Hello.

HMJr: Ferdie.

K: Yes, sir.

HMJr: I called up Mahan to ask him where he got the authority from to put a billboard on the Treasury lawn.

K: Yes.

HMJr: He said he got it from you.

K: Well, that's right. I talked to Norman Thompson and Bell about it, and I thought that it was all part of our quota campaign to put a billboard in a central place in any town, and.....

HMJr: Yeah, but not on the Treasury property. I've refused that ever since I've been here.

K: Well, I didn't realize that at all.

HMJr: Yeah.

K: Well, it's my fault.

HMJr: Yes, it is.

K: You're opposed to it?

HMJr: Absolutely.

K: Okay.

HMJr: Yeah.

K: I'll tell them.

HMJr: I'll tell them. Norman's here.

- 2 -

K: All right.

HMJr: Yeah.

K: Sorry.

May 28, 1942
2:00 p.m.

TAXES

Present: ^{THE} Mr. Gaston
Mr. Sullivan
Mr. Blough
Mr. Kuhn

H.M.JR: (Reading speech) "The very helpful interest in tax collection problems shown by the members of the Joint Committee on Internal Revenue Taxation, under the able leadership of your Chairman, Mr. Doughton, encourages me to appear before you to discuss an administrative matter."

That is good. That is worth two dollars.

"I know that this Committee and the Congress are determined that no man and no corporation shall be permitted to make exorbitant profits out of the war effort. It is the responsibility of the Congress to draft legislation to achieve that purpose. It is our responsibility at the Treasury to use all the powers the Congress has given us to see that all taxes are fully, honestly and justly collected. It is our responsibility to see that by no form of trick or chicanery is any one taxpayer permitted to escape his just share and thus to throw unjust burdens on others."

This is good.

"I have come before this Committee tonight to tell you of some instances of what seem to me to be particularly unpardonable attempts to escape wartime taxation, and I should like to report what the Treasury is doing and intends to do to stop these practices. In every instance -" That would refer us back to what?

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MR. GASTON: "Instances" in the sentence before that. "I have come before you to tell you of some instances."

H.M.JR: "In every instance the method used by the taxpayer was to inflate expenses with the evident purpose of avoiding normal and excess profits taxes on corporation earnings. The devices used included the payment of excessive salaries, the distribution of unearned bonuses and the payment of unreasonable sums for purported services to persons closely connected with the management of the companies involved."

It seems to me to go very smoothly now.

"It will be obvious to members of this Committee that these practices, if successful, would reduce the revenue of the Government, the revenue we need so urgently for fighting and winning the war. Even if those who receive such excessive payments should fully declare them a personal income, the amounts involved would escape corporate profits and excess profits taxation."

MR. SULLIVAN: I don't like that. That is assuming that they don't. It says, "Even if those who receive such--"

H.M.JR: What do you want?

MR. KUHN: Do you want "Even when those who receive such excessive payments should fully declare"?

MR. SULLIVAN: We haven't any such instances.

MR. BLOUGH: Strike "should fully" out.

MR. KUHN: Just "declare them fully."

MR. GASTON: We will make that change.

H.M.JR: "We do not intend that this shall happen. We do not intend that any of these practices shall succeed."

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The Congress has already given power to the Bureau of Internal Revenue -" given the Treasury or the Bureau of Internal Revenue?

MR. GASTON: Let's make it the Treasury.

H.M.JR: The Treasury - "The Congress has already given power to the Treasury."

"We have come upon the instances I shall mention to you through speeding up our investigation of 1941 returns of corporations holding war contracts." I would say there "Through speeding up our investigation of 1941 we have come upon instances."

MR. GASTON: You have already said you come here to point out instances, and we say that "We have come upon these instances I shall mention to you through speeding up our investigation -"

H.M.JR: That is the way I would say it, but I am not going to - I would say "through speeding up our investigations." That is the whole thing.

MR. SULLIVAN: "We have come upon these instances."

H.M.JR: I am not going to argue with you English scholars.

"Reports of the examination of 32 returns for 1941 are now available."

MR. SULLIVAN: That should be thirty-one.

H.M.JR: Somebody died since this morning?

MR. SULLIVAN: No.

H.M.JR: Picked at random?

MR. SULLIVAN: They are picked from the thirty-one. I'll bet we will get worse things than this before we get through.

H.M.JR: I hope you do.

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H.M.JR: "Let me mention briefly seven cases illustrating the practices with which we have to deal.

"Company A makes an important airplane part. This corporation is owned by one man who hired himself as its sales representative. His compensation in 1941 was \$1,656,000. By consolidating these earnings with those of the corporation, we have blocked this obvious attempt to divert profits and we have increased the corporation's income tax by \$1,117,000.

"Company B makes steel. All stock in this corporation is held by three families. Excessive salaries were paid by officers who were also stockholders. The Revenue Agent has recommended disallowance of \$82,000 in salaries, and the company has already agreed to a disallowance of \$58,000.

"Company C makes vital equipment for airplane pilots. This corporation paid \$31,104 in rent in one year to the wife of the president for using property which had cost her \$45,412. A brother of the principal stockholder, without special training or ability, drew a salary of \$15,000 a year and a son and daughter, just out of school, got \$7,500 a year each.

"Company D makes tools and dies. This company is owned by two brothers and their wives. It paid dividends of \$40,000 in 1940 and \$100,000 in 1941, while salaries totaling \$128,000 were paid in 1941 to the president, his wife, and his brother.

"Company E makes forgings. The stock is owned by three families. From 1938 to 1941 the salaries of employees who were stockholders and relatives of stockholders increased 523 per cent. Excessive salaries for 1941 have been disallowed to the amount of \$568,000.

"Company F makes equipment for airplanes. Three principal officers of this corporation took salaries of \$100,000 each and the corporation claimed it had set aside over \$575,000 in bonuses. Amounts of salary above \$35,000 have been disallowed, and \$516,000 of salaries and bonuses combined were found to be excessive."

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H.M.JR: Where is my favorite company?

MR. GASTON: F.

H.M.JR: What is the difference between disallowing and excessive?

MR. GASTON: They were disallowed.

H.M.JR: Why \$35,000 disallowed and \$516,000--

MR. BLOUGH: Salaries and bonuses combined.

MR. GASTON: That is to just avoid using the same language again. That is salaries and bonuses combined, and they disallowed \$516,000.

MR. KUHN: You could say, "We have disallowed salary payments above \$35,000 and a combined total of \$516,000--

MR. GASTON: Three \$100,000 employees cut to \$35,000, the balance disallowed as a corporation expense. That made a total of \$195,000, plus the bonuses disallowed makes \$516,000.

H.M.JR: That is not clear at all. Please put a check on that. I would say "The \$300,000 salaries had been disallowed and reduced to \$35,000 each."

Then you say you don't believe in the President's \$25,000 policy?

MR. KUHN: I see what you mean.

H.M.JR: I am just wondering. It is confusing. Just put a question mark. Anyway, if that one sentence could be two sentences, it might be all right.

"Other disallowed deductions included \$16,000 paid for watches given to employees, \$14,000 for banquets and picnics, \$4,000 for photographs taken at banquets and picnics, and \$1,900 for tickets to football games. Other important deficiencies were found in the tax return.

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"Company G makes a device important to aviation. This corporation is owned almost entirely by one man, his wife, and his brother. The two men increased their salaries from \$12,000 and \$15,000 in 1939 to \$72,000 and \$90,000 in 1941. The royalty rate on the patent jointly held by them was increased, with the result that with expanded sales for war purposes, the royalties paid to them increased from \$87,000 in 1939 to \$1,179,000 in 1941.

"You will note that I have not named any of the corporations or the individuals concerned. I leave it to this Committee to decide whether that should be done. Personally I am inclined to believe it would have a very wholesome effect."

MR. SULLIVAN: I think I would leave it to this Committee to decide whether it should do it. Even if the Committee, Mr. Secretary, directs you to do it, you are in trouble.

H.M.JR: How would you word it?

MR. GASTON: You don't need to spell that out.

MR. SULLIVAN: What happens if the Committee comes back and says, "Mr. Secretary, we think you should make this public"?

MR. GASTON: Just simply tell them what the law is - you do that.

MR. BLOUGH: Say, "You write us and ask us for it; we will furnish it to you, and you publish it."

H.M.JR: "Assistant Secretary Sullivan and Commissioner Helvering are here tonight to give you further details of the results of some of these investigations. They stand ready to come before you from time to time and to report the results of further investigations now in progress.

"It should be noted that these cases all deal with returns for 1941. It is of course true that all of the contracts for war work covered by these 1941 returns

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were signed before the United States entered the war and that nearly all the earnings represented in the tax-dodging devices attempted were pre-war earnings. But I think that changes the situation very little. An attempt to escape lawful taxes while we were actually at war would be only a slight degree blacker than an attempt to evade taxes which would pay for arming and equipping our Army and Navy when we stood in imminent danger of attack."

MR. KUHN: Change that "evade" to "escape" to make it the same as the other.

H.M.JR: That is all right; that is the hair on the chest right there.

MR. GASTON: Yes, some of it.

H.M.JR: "It may be that these instances are an isolated few and that not many more of the same kind will be found. I sincerely hope that will be the case. I am wholly confident that the great and overwhelming proportion of American corporations are too patriotic even to consider such practices.

"We are taking two steps to detect and deal with the evils I have mentioned. In the first place, we are expediting examination of the tax returns and records of all corporations, beginning with those who have war contracts, to determine whether excessive expenses are being claimed. Ordinarily our investigation of returns filed for the year 1941 would not begin until July 1, 1942, and this work would continue through the fiscal year ending June 30, 1943. Under present regulations we can not afford to wait so long before acting. By speeding up our investigations we expect to check unlawful practices of this sort at an earlier stage, whether they have been entered into innocently or for the definite purpose of evading taxation.

"In the second place, we are disallowing excessive expenditures which have the effect of reducing corporate tax liabilities. We are compelling the corporation to

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include such amounts in earnings, and at the same time we are requiring the recipient to pay full personal income taxes on the amounts received."

MR. GASTON: Requiring persons to pay full income taxes--

MR. SULLIVAN: That is all right.

H.M.JR: "The disallowance of excessive expenditures does not represent a new procedure. The law and regulations permit the deduction only of ordinary and necessary business expenses for the purpose of determining profits. In applying the law and regulations, the Bureau of Internal Revenue has often disallowed expenditures which seemed to lack sound business justification and which were, in effect, distributions of profits. Today, however, the problem has assumed major importance because of the huge increases in income of a great number of corporations because of the war effort.

"In presenting this problem to you, I am anxious to be as constructive as possible. It seems to me that the businessmen of this country are entitled to know not only the extent of our powers but also the standards that we shall follow. Accordingly, it may be helpful if I outline the following general considerations that will guide us in examining expenses claimed in tax returns."

I don't like "powers"- "extent of our powers," I don't like.

MR. SULLIVAN: I think "authority" is a better word.

MR. GASTON: Of course, "powers" means legal powers.

H.M.JR: Then put in the word "legal" if you want to.

MR. BLOUGH: I think that might help.

H.M.JR: I don't like the word "powers" alone.

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MR. BLOUGH: "Authority" has the same connotation to me.

H.M.JR: How about "legal powers"?

MR. BLOUGH: "Legal powers" is all right.

MR. SULLIVAN: "Also the standards that we shall follow."

H.M.JR: He is right. Is the rest the same?

MR. GASTON: Up until you get to advertising. Page twelve, "Amounts paid for advertising."

MR. KUHN: Get your book.

H.M.JR: What book - you mean the Good Book?

MR. SULLIVAN: It looked pretty good to me, I will tell you.

MR. KUHN: That strikes Peter and me as a fair statement.

MR. GASTON: We went over it pretty carefully, and I think we all agreed that that was all right. We had Norman Cann and Tim Mooney in. They are not afraid of it. The thing that it opens up in this sentence - Peter inserted there, "This is not intended to exclude institutional advertising in reasonable amounts or good will advertising calculated to influence the buying habits of the public." They consider two things. One is the maintenance of a trade name, the name of the product, keeping the company before the public, although there is no immediate patronage in sight; second, advertising by associations, such as Sunkist Fruit Growers, and the bakers of the United States, "Eat More Bread," "Drink More Milk," and so on.

MR. KUHN: And the druggists.

MR. GASTON: The place that is advertising isn't selling any product.

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MR. KUHN: As it stood before, it ruled out all advertising by associations.

H.M.JR: Have you got a way with this with them?

MR. BLOUGH: I am not too happy about it, but I think the word "reasonable" fixes it up all right. We can take care of it later.

MR. GASTON: We had quite a bit of conversation on this problem of War Savings advertising, and I think there was general agreement among us that we would disallow War Savings advertising if it was excessive from the standpoint of a reasonable advertising budget for this concern. In other words, the budget for advertising has to have some reasonable relation to their present and future business. If they choose to use part of that budget for War Savings advertising, that is all right; but if they undertake to greatly expand their advertising budget, and make War Savings advertising, use it for War Savings advertising, that isn't all right.

H.M.JR: Well, just as long as John Sullivan feels very strongly - feels that he can rule justly and fairly on this thing--

MR. SULLIVAN: That is exactly as Herbert said, Mr. Secretary, if a concern spends a disproportionate amount of their income in advertising we disallow it; whether it goes into ordinary advertising, institutional advertising, or War Bonds, it is all treated the same.

MR. KUHN: Disproportionate in comparison to what they have been spending in the past.

MR. GASTON: We treat War Savings advertising as a part of their institutional advertising.

H.M.JR: In other words, if in 1939 a company spent a hundred thousand dollars for advertising and they want to spend a hundred thousand in 1942, you wouldn't disallow it?

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MR. SULLIVAN: No, sir, if they choose to do that through having War Bond advertisements.

H.M.JR: Red Cross, USO?

MR. SULLIVAN: That is right. We have been able to find just one case on it. This was decided in 1926 by the Board of Tax Appeals. The taxpayer was B. F. Boyer Company, a manufacturer of woolen yarn in New Jersey. The item was forty-five dollars for advertising and promoting the sale of Liberty Bonds in an advertisement which appeared over its corporate name. The taxpayer sought to deduct this amount in its return for 1919 as a donation for advertising the sale of Liberty Bonds. The Commissioner disallowed the deduction.

The Court said, "On the first of these questions the parties stipulated that the expenditures of forty-five dollars in 1919 for advertising and promoting the sale of Liberty Bonds was for an advertisement over the corporation's name. This advertisement was made in accordance with the custom of the time. Such an advertisement was a combination of patriotic endeavor and business publicity, and received the recognition of the Commissioner in article 562 of Regulations 45. A corporation of the character of the taxpayer is entitled to deduct amounts spent in advertising as a part of its ordinary and necessary business expense and, as the particular form of advertising to be employed is, of necessity, within the judgment of the officers of such a corporation as the taxpayer, we believe that the Commissioner improperly disallowed the deduction."

H.M.JR: That is the only case?

MR. SULLIVAN: That is the only one we have been able to find.

H.M.JR: How high did that go?

MR. KUHN: To the Board of Tax Appeals.

MR. BLOUGH: There is only one sentence there that worries me, and that is where we deliberately come out

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and mention by name institutional advertising and goodwill advertising, and thereby put our stamp of approval on it, which I think is very likely to come back and bite us later on.

MR. GASTON: But, Roy, right now more than fifty percent of the advertising is institutional advertising, especially the magazine advertising. It may be a high estimate, but a large proportion of it is.

MR. BLOUGH: If you strike out that sentence, why does it change the meaning of the next sentence?

MR. KUHN: Because institutional advertising - it would have the effect of ruling out institutional advertising in which the name of the concern doesn't figure at all, the name of the concern or its product is not mentioned.

MR. BLOUGH: If they are not directed to public patronage, which might - they are disallowed anyway, aren't they?

MR. KUHN: No, because institutional advertising--

MR. BLOUGH: That is what the next sentence says.

MR. KUHN: ... institutional advertising can be directed to public patronage, such as milk and oranges, but unless you spell it out there with those safeguards about reasonable amounts, I think that you are seeming to shut the door on perhaps half of the advertising that is going on.

MR. BLOUGH: I think when you put it in, you are seeming to open the door in a rather widespread use of it.

MR. GASTON: I think you have got it backstopped there.

MR. BLOUGH: I hope you are right. I want to be on record. I think we are being in a position where we are going to regret it.

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H.M.JR: Why didn't you have the argument before you got in here?

MR. BLOUGH: We did. I am sorry, this is a repetition of the same argument. I just want to make it clear I am not entirely satisfied.

H.M.JR: Who did you pull in to offset Roy?

MR. BLOUGH: I am the only one.

MR. SULLIVAN: The Commissioner and Tim Mooney.

H.M.JR: This is a minority report?

MR. BLOUGH: I am just going on record.

H.M.JR: "With these principles as our guideposts, we are progressing as fast as practicable with our investigation of the 1941 returns."

Where did you get that word "guideposts" from?

MR. KUHN: This morning--

H.M.JR: That is right - a very good word.

"Those who are engaged in this work must, of course, think not only of the best interests of the Government, but also of the need of being completely fair to the taxpayers. The Committee, the Congress and the country are entitled to know that the unscrupulous and selfish few are not being allowed to distort their tax returns so as to escape their fair share of the costs of the war."

"The Committee, the Congress, and the country - " that is a funny way to put it.

MR. KUHN: The country as a whole.

H.M.JR: Why not say "The country, the Congress, and the Committee"?

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MR. GASTON: No, but you build up to a climax.

H.M.JR: "The Committee, the Congress, and the country are entitled to know - " that is all right.

Gentlemen, I am very much pleased.

MR. KUHN: Mr. Secretary, this is going to break so late tonight.

H.M.JR: I just got an idea. My idea was, between him and John we might get--

(Mr. Schwarz entered the conference.)

H.M.JR: The thing is finished except for a word here and there. I wonder if you (Schwarz) and Mr. Sullivan wouldn't get Mr. Doughton's permission to release this before I go up on the Hill. I think, John, if you showed him the opening sentences that there would be a good chance of getting that released.

MR. GASTON: You mean release copies for morning publication?

MR. KUHN: It wouldn't be published before.

MR. SCHWARZ: We have had a lot of requests.

MR. SULLIVAN: I would ask him. If there is any hesitancy, I will bring it up and show it to him.

H.M.JR: I would go up and do it and say this, that Mr. Morgenthau was very much upset by that editorial by Mr. Ingersoll last night, and he thought that the best way, in view of the fact that there is such a thing as freedom of the press - it only might make it worse if we paid Mr. Ingersoll the compliment of denying it that night. He is going out of his way in this statement.

MR. SULLIVAN: And to give it the fullest possible publicity, we want to release it now.

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H.M.JR: You got it.

MR. SULLIVAN: O.K., chief.

H.M.JR: And that I feel that I can do him more good by answering directly publicly my approval and confidence in him than in trying to answer a scurrilous editorial of that kind.

MR. SULLIVAN: Yes.

H.M.JR: Then on that basis, the thing would be released by five o'clock.

MR. KUHN: For the morning.

MR. GASTON: There are two or three slight corrections there.

H.M.JR: Now, I would like to see Herbert all alone.

STATEMENT OF SECRETARY MORGENTHAU TO THE JOINT
COMMITTEE ON INTERNAL REVENUE TAXATION,
May 28, 1942

4th Draft ✓
62

2 pm
5/28/42

The very helpful interest in tax collection problems shown by the members of the Joint Committee on Internal Revenue Taxation, under the able leadership of your Chairman, Mr. Doughton, encourages me to appear before you to discuss an administrative matter.

I know that this Committee and the Congress are determined that no man and no corporation shall be permitted to make exorbitant profits out of the war effort. It is the responsibility of the Congress to draft legislation to achieve that purpose. It is our responsibility at the Treasury to use all the powers the Congress has given us to see that all taxes are fully, honestly and justly collected. It is our responsibility to see that by no form of trick or chicanery is any one taxpayer permitted to escape his just share and thus to throw unjust burdens on others.

I have come before this Committee tonight to tell you of some instances of what seem to me to be particularly unpardonable attempts to escape wartime taxation, and I should like to report what the Treasury is doing and

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intends to do to stop these practices. In every instance the method used by the taxpayer was to inflate expenses with the evident purpose of avoiding normal and excess profits taxes on corporation earnings. The devices used included the payment of excessive salaries, the distribution of unearned bonuses and the payment of unreasonable sums for purported services to persons closely connected with the management of the companies involved.

It will be obvious to members of this Committee that these practices, if successful, would reduce the revenue of the Government, the revenue we need so urgently for fighting and winning the war. Even if those who receive such excessive payments should fully declare them as personal income, the amounts involved would escape corporate profits and excess profits taxation.

We do not intend that this shall happen. We do not intend that any of these practices shall succeed. The Congress has already given power to the Bureau of Internal Revenue to deal with cases of this kind and that power is being exercised.

We have come upon the instances I shall mention to you through speeding up our investigation of 1941

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returns of corporations holding war contracts. Reports of the examination of 32 returns for 1941 are now available. Let me mention briefly seven cases illustrating the practices with which we have to deal.

Company A makes an important airplane part. This corporation is owned by one man who hired himself as its sales representative. His compensation in 1941 was \$1,656,000. By consolidating these earnings with those of the corporation, we have blocked this obvious attempt to divert profits and we have increased the corporation's income tax by \$1,117,000.

Company B makes steel. All stock in this corporation is held by three families. Excessive salaries were paid to officers who were also stockholders. The Revenue Agent has recommended disallowance of \$82,000 in salaries, and the company has already agreed to a disallowance of \$58,000.

Company C makes vital equipment for airplane pilots. This corporation paid \$31,104 in rent in one year to the wife of the president for using property which had cost

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her \$45,412. A brother of the principal stockholder, without special training or ability, drew a salary of \$15,000 a year and a son and daughter, just out of school, got \$7,500 a year each.

Company D makes tools and dies. This company is owned by two brothers and their wives. It paid dividends of \$40,000 in 1940 and \$100,000 in 1941, while salaries totaling \$128,000 were paid in 1941 to the president, his wife and his brother.

Company E makes forgings. The stock is owned by three families. From 1938 to 1941 the salaries of employees who were stockholders and relatives of stockholders increased 523 per cent. Excessive salaries for 1941 have been disallowed to the amount of \$568,000.

Company F makes equipment for airplanes. Three principal officers of this corporation took salaries of \$100,000 each and the corporation claimed it had set aside over \$575,000 in bonuses. Amounts of salary above \$35,000 have been disallowed, and \$516,000 of salaries and bonuses combined were found to be excessive.

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Other disallowed deductions included \$16,000 paid for watches given to employees, \$14,000 for banquets and picnics, \$4,000 for photographs taken at banquets and picnics, and \$1,900 for tickets to football games. Other important deficiencies were found in the tax return.

Company G makes a device important to aviation. This corporation is owned almost entirely by one man, his wife and his brother. The two men increased their salaries from \$12,000 and \$15,000 in 1939 to \$72,000 and \$90,000 in 1941. The royalty rate on the patent jointly held by them was increased, with the result that with expanded sales for war purposes, the royalties paid to them increased from \$87,000 in 1939 to \$1,179,000 in 1941.

You will note that I have not named any of the corporations or the individuals concerned. I leave it to this Committee to decide whether that should be done. Personally I am inclined to believe it would have a very wholesome effect.

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Assistant Secretary Sullivan and Commissioner Helvering are here tonight to give you further details of the results of some of these investigations. They stand ready to come before you from time to time and to report the results of further investigations now in progress.

It should be noted that these cases all deal with returns for 1941. It is of course true that all of the contracts for war work covered by these 1941 returns were signed before the United States entered the war and that nearly all the earnings represented in the tax-dodging devices attempted were pre-war earnings. But I think that changes the situation very little. An attempt to escape lawful taxes while we were actually at war would be only a slight degree blacker than an attempt to evade taxes which would pay for arming and equipping our Army and Navy when we stood in imminent danger of attack.

It may be that these instances are an isolated few and that not many more of the same kind will be found. I sincerely hope that will be the case. I

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am wholly confident that the great and overwhelming proportion of American corporations are too patriotic even to consider such practices.

We are taking two steps to detect and deal with the evils I have mentioned. In the first place, we are expediting examination of the tax returns and records of all corporations, beginning with those who have war contracts, to determine whether excessive expenses are being claimed. Ordinarily our investigation of returns filed for the year 1941 would not begin until July 1, 1942, and this work would continue through the fiscal year ending June 30, 1943. Under present circumstances we can not afford to wait so long before acting. By speeding up our investigations we expect to check unlawful practices of this sort at an earlier stage, whether they have been entered into innocently or for the definite purpose of evading taxation.

In the second place, we are disallowing excessive expenditures which have the effect of reducing corporate tax liabilities. We are compelling the corporations

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to include such amounts in earnings, and at the same time we are requiring the recipient to pay full personal income taxes on the amounts received.

The disallowance of excessive expenditures does not represent a new procedure. The law and regulations permit the deduction only of ordinary and necessary business expenses for the purpose of determining profits. In applying the law and regulations, the Bureau of Internal Revenue has often disallowed expenditures which seemed to lack sound business justification and which were, in effect, distributions of profits. Today, however, the problem has assumed major importance because of the huge increases in income of a great number of corporations because of the war effort.

In presenting this problem to you, I am anxious to be as constructive as possible. It seems to me that the businessmen of this country are entitled to know not only the extent of our powers but also the standards that we shall follow. Accordingly, it may be helpful if I outline the following general considerations that will guide us in examining expenses claimed in tax returns.

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1. Salaries and Bonuses Paid to Officers and Employees.

Deductions claimed for greatly increased salaries and extraordinary bonuses paid to officers or employees will be disallowed unless the taxpayer proves that the payments are, in fact, for services actually rendered and are reasonable.

In determining whether the payments are reasonable, it will be assumed that reasonable compensation is only as much as would ordinarily be paid for like services by like enterprises under like circumstances. The factors that will be considered in determining the reasonableness of such payments are the duties performed by the recipient, the character and amount of responsibility, the time devoted to the enterprise, and the peculiar ability or special talent of the particular officer or employee. Where the payments are to relatives or to shareholders, the taxpayer must show that family considerations have not influenced the amount paid and that the payments are not distributions of profits in disguise. Large profits attributable to causes entirely unrelated to the activities of the officers or employees, which are not

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unusual in these abnormal times, do not of themselves justify or warrant large salary payments.

2. Rents, Royalties and Other Payments to Shareholders.

Deductibility of rents, royalties or other payments to shareholders depends upon whether such charges are in fact fair and reasonable payments for the use of property and are not merely a device for distribution of profits. Any shareholder should be entitled only to a fair return on his investment in the property which he permits the corporation to use.

3. Payments to Profit Sharing or Pension Trusts.

The deductibility of payments to pension trusts is governed by section 23(p) of the Internal Revenue Code. If payments to such trusts are reasonable, their deduction will be allowed. If the payments are unreasonable in amount, or if the trust is not created for the exclusive benefit of employees, or if it is a device to distribute profits to shareholders, the deductions will be disallowed. It is also our purpose to set up a barrier to deductions of large salaries, bonuses, or insurance premiums for officers under the guise of payments to a

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pension trust.

4. Payments for Repairs.

The deductibility for income tax purposes of costs of repairs depends upon whether the expenditure is actually for repairs, or is in fact a capital expenditure which should be added to capital investment or charged against reserve for depreciation, since the costs of repairs are deductible while capital expenditures are not. We must guard against the tendency during high profit years to make extensive improvements and to charge the cost of such improvements against profits under the caption of repairs.

It will be our policy to scrutinize carefully the items claimed as deductions for expenditures for repairs. We shall disallow such deductions where it is not shown that the expenditures are in fact for repairs instead of for improvements or betterments which should be capitalized.

5. Expenses or Allowances Paid to Obtain Government Business, Including Fees Paid to Washington Representatives or for Other Professional Services.

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Whether deductions for items of this class will be allowed depends upon whether they meet the test laid down in the Internal Revenue Code, that is, whether they are necessary and ordinary and reasonable. If such items are considered exorbitant or unreasonable, they will be disallowed as deductions. Many of the factors that apply in determining the deductibility of salaries and bonuses will apply also in determining the deductibility of items of this class. Particular attention will be given to deductions for payments which are against public policy, and all such deductions will be disallowed.

6. Amounts Paid For Advertising.

The test of whether expenditures for advertising are deductible is whether they are ordinary and necessary and bear a reasonable relation to the business activities in which the enterprise is engaged. This is not intended to exclude institutional advertising in reasonable amounts or good will advertising calculated to influence

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the buying habits of the public. If such expenditures are extravagant and out of proportion to the size of the company or to the amount of its advertising budget in the past or if they are not directed to public patronage which might reasonably be expected in the future, such payments will be disallowed as deductions.

With these principles as our guideposts, we are progressing as fast as practicable with our investigation of the 1941 returns. Those who are engaged in this work must, of course, think not only of the best interests of the Government but also of the need of being completely fair to the taxpayers. The Committee, the Congress and the country are entitled to know that the unscrupulous and selfish few are not being allowed to distort their tax returns so as to escape their fair share of the costs of the war. I can assure the Committee of this: that nothing is being left undone which will expedite our work. If we find that our existing powers are not adequate to deal with the evil I have been discussing, I shall not hesitate to come before the appropriate committee to ask for any additional authority that may be needed.

May 28, 1942
2:35 p.m.

Operator: Mayor LaGuardia is on his way back to New York and he should be there by four or four-thirty.

HMJr: Well, let me talk to his secretary, whoever it is.

Operator: All right.

HMJr: Will you?

Operator: Right. I have his secretary, Miss Cullen. Go ahead.

HMJr: Hello.

Miss Cullen: Yes, sir. Hello.

HMJr: This is Mr. Morgenthau speaking.

C: Yes, Mr. Secretary.

HMJr: I wondered if you could get this message to the Mayor when he gets in.

C: Surely, I'll be glad to.

HMJr: Mr. Spyros, S-p-y-r-o-s - it's Skouras, S-k-o-u-r-a-s.

C: Mr. Skouras, yeah.

HMJr: Of the Twentieth Century Fox.....

C: Yes.

HMJr: He's handling for the Treasury these English aviators that are coming over early in June.

C: I see.

HMJr: And he's leaving for the West Coast either late tonight or very early in the morning, and we need the Mayor's help very badly; and I wondered if the Mayor could see him for a few minutes still late this afternoon.

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C: I see. Where is Mr. Skouras?

HMJr: You can get him at Twentieth Century Fox in New York.

C: In New York. I see. Well, I'll be glad to get that message to him; and if it's at all possible, I'm sure he will.

HMJr: Well, I mean, couldn't you give him a tentative appointment?

C: All right. We'll call him up and see what we can do on it.

HMJr: Why don't you give him a tentative appointment so he'll be - he won't leave his office, you see.

C: All right.

HMJr: And I'm counting on the Mayor to help me out on this. We're having these English aviators come over, you see.

C: Yes.

HMJr: And they're coming to New York first.

C: Yes, I see.

HMJr: To tour the country for War Bonds.

C: All right, Mr. Secretary. I'm sure we can arrange it. The Mayor is coming in but going directly to a Board of Estimates meeting, but I don't think that will last too long.

HMJr: Well.....

C: And we'll give him a tentative appointment or we'll arrange for him to get a call from us just as soon as we can give him a definite time.

HMJr: Well, this is - I'm laying enough stress on it, and I'd really like it.

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C: Well, I'm sure that the Mayor will do it.
HMJr: Thank you.
C: Thank you so much. Good-bye.