

AMERICAN SMELTING AND REFINING COMPANY

UTAH DEPARTMENT
SALT LAKE CITY, UTAH

OFFICE OF
W. J. O'CONNOR
MANAGER

April 4, 1942.

Mr. Marriner Eccles,
Governor, Federal Reserve Bank,
Washington, D. C.

Dear Marriner:

I suppose you have received several letters from Utah already about your recent statements on the silver legislation that is now in effect.

Personally I never did agree with Senator Pittman's idea of trying to buy up all of the silver in the world, and I thought this was folly at the time that he put over this program. However, I think there is some justification for the purchase of domestic silver at the fixed price of 71 cents an ounce, particularly at this time when the government wants to get out all of the lead and zinc that it possibly can.

I can tell you, without any exaggeration, that such mines as the Silver King Coalition and the Tintic Standard would have to close down if the price of silver were reduced to the world figure. I don't believe that most people realize what has been happening to the mining industry in the State of Utah during the past several years. All of the mines - exclusive, of course, of Utah Copper - are having a very difficult time. Labor costs are now considerably in excess of 1929, and these costs, burdened with unemployment insurance and Social Security taxes, make it almost impossible for silver, lead and zinc mines to be operated at a profit. While I know the government has set premium prices on extra production of metals, this is not going to be of much benefit to the mining industry here, because of the 40-hour week, and the overtime that would have to be paid to work additional shifts to produce any premium metal.

In smelting copper, we require large tonnages of silicious ores, and most of the value in these ores is gold and silver, as they carry very little of the base metals. On 35-cent silver I know that a great many of these mines would also have to shut down, and this would seriously affect our operations at Garfield, where we are smelting the Utah Copper output, which is about 28 per cent of the United States production of copper.

Last year there were produced in the United States 67,052,469 fine ounces of silver, and assuming that the government is paying a bonus of 36.2 cents an ounce on this silver, in 1941 they put out approximately \$24,000,000 in premiums or bonuses, or whatever you and Mr. Morgenthau want to call it, above the world price. The farmers have recently put over a parity program in Congress, on which I have seen figures that indicate that this will make the cost of foodstuffs \$1,000,000,000 more to the American people this year than it would have been otherwise. This was as fine a piece of high-pressure highjacking as I have ever seen put over.

The labor unions, from all the reports that I have read, will receive about \$3,000,000,000 in overtime on war contracts that have been let, and this is another example of governmental benefits that runs into real money.

I agree that fundamentally a bonus on farm products or to labor or to silver is unsound, but certainly if the administration sees fit to support and tolerate such bonuses to large pressure groups of voters such as the farmers and labor, I cannot see any reason why there should be such an attack on the bonus to the mining industry, that amounts to only some \$25,000,000 a year. This \$25,000,000 ordinarily I would consider as probably a tip for the hat check boy in the language of the President and Congress when it comes to spending money.

The production of metal is one of the most vital ones for the war program, and I can assure you that much of the lead and zinc in this district would not come out if it were not for the government price on silver; if this were reduced to 35 cents I know that the largest silver-lead mines here would be forced to close, and this is a conservative appraisal of the situation.

I think that the Pittman program of world buying of silver weakened the silver cause, but on the present basis of buying the domestic output at a premium I cannot see why, in this war situation, this is not justified in order to permit the miners to get out the lead and zinc that are so essential.

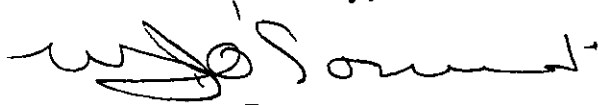
I think that if you were in the West, and could spend a couple of hours with me going over several years' ore purchase reports here, I could show you conclusively that our mines, exclusive of Utah Copper, could not operate without the present government price of silver.

From the standpoint of sound economics I am opposed to bonuses and premiums, but I believe that if you were fully aware of the benefits to the nation from the small expenditure that the government is making on silver, you would not be making it tough for us here in Utah by advocating repeal of the legislation.

Aside from this, how are you getting on? I am glad to see that you are agile enough to stay on the job without getting into the jam that Jess Jones and some of the other boys seem to get into. I know it must be exciting and interesting down in all of the hurly-burly of Washington, but I imagine that at times you would like to be out here in the sticks again. However, I can tell you that with all of the OPM's, WPB's and SOB's and so forth, our lives are not a bed of roses either. However, I believe that out of the welter and confusion there are some constructive things being done, and that eventually the administration will realize that winning the war is of more importance than political advantages.

Kind regards.

Sincerely,



April 8, 1942.

Mr. W. J. O'Connor, Manager,
American Smelting and Refining Company,
Utah Department,
Salt Lake City, Utah.

Dear Bill:

It was a relief to get your well reasoned letter of April 4 which is in sharp contrast to some of the uncomplimentary communications that I brought down on my head as a result of reiterating the views I have expressed for a long time about the purchase of silver. I think you make the most persuasive case that can be made for a subsidy to domestic producers, and I am glad to see that you agree with me about the Pittman program for buying foreign silver.

If the Government feels that it is in the public interest to continue to pay a subsidy for domestic production, then perhaps it is justifiable so long as it is frankly recognized as a subsidy. In wartime, however, I cannot see the justification. I would prefer, if necessary, to pay a higher price or a subsidy for the production of copper, zinc, lead, etc., which are needed in the war effort rather than to go on paying a subsidy on silver in order indirectly to procure the needed metals.

I think you will agree that we do not need any more silver and that it does not make sense to keep on buying it and burying it at West Point. However, if we are going to do that, then I think we should release the silver for industrial uses at the commercial price and let the Government take the loss, that is, the difference between that price and the subsidy. I could justify this as a war measure. It does not seem to me that there is a real analogy between paying what in effect are bonuses for the production of foodstuffs or to labor since the products sought are essential to the prosecution of the war and are not, or certainly should not be, stored away, except possibly on the ground of the so-called ever-normal granary principle. It must be remembered that the bonuses paid for agricultural production required curtailment of acreage. In other words, there was an effort to gear the production to demand, whereas the silver bonus serves only to call forth an increasing production for which there is no market.

Let me put it this way: The Government cannot continue to buy and store silver for which there is no present or prospective use. The subsidy begets a production that is not necessary now or in the future. Whereas, there is something to be said for encouraging agri-

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cultural production for present or future needs.

As I have said before, I am relieved to have your realistic and reasoned approach to this always difficult problem.

Washington is, of course, a good deal of a hurly-burly, as you say, and I perhaps have been fortunate in avoiding some of the pitfalls that my friends and associates get themselves into from time to time. The democratic process is slow, complicated and often discouraging, but somehow we manage to muddle through. As has been said before, the difference between us and the British is that they plan to muddle and we just muddle.

With kindest personal regards,

Sincerely yours,

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