

George E. Collins.
Mining Engineer.

Boston Building.

Denver, Colorado.

AIR MAIL

April 21, 1942

Honorable Marriner S. Eccles
Chairman of Board of Governors
Federal Reserve System
Washington, D. C.

Dear Sir:

My attention has been called to a recent statement made by you, suggesting the suspension of silver purchases, with the object of increasing production of lead, copper, etc.

I am afraid your remarks are based on a misapprehension. Will you pardon a man who should be qualified by age, experience, and life-long study, if he ventures to submit some facts that have probably missed your attention?

1) Very few silver mines in the United States are now operated - or are susceptible of profitable operation, - the ores of which do not contain substantial amounts of lead, or copper. Thus the silver is in one sense a by product: the mines are producers of urgently needed base-metals; the silver helps to pay the costs, and permits the mining of lead and copper that, without the silver content, would not be produced. Few and relatively unimportant silver mines exist, the closing of which would permit diversion of men and materials for increased output of lead or copper elsewhere.

Nor is the labor, available today in most silver-mining communities, such that it could be diverted, or uprooted, without serious trouble. The younger and the more enterprising men have left for the Army or for defense-plants to which labor is attracted by higher pay. The men who are left stay because of their homes and families in the community; because they are too old, or because they are unsuited, by temperament or life-long habit, for organized factory work. You could prevent them from working; but in a large percentage of cases, you could not induce them to move elsewhere, without compulsion.

2) Just now, silver is at the threshold of what may prove to be a new epoch. Its unique properties (best conductor of heat; best conductor of electricity; safest germicide; best bearing-metal alloy; strongest solder alloy) might at any moment render our silver stock and output invaluable for war purposes, in which price is not the controlling factor. It would be short-sighted to do anything to reduce its output at this time. Within a year, silver may conceivably become as indispensable as magnesium is today; and unlike in the case of magnesium, we have no sources of raw material from which greatly expanded production might be quickly made..

3) The present demand for war materials is temporary, and will doubtless be followed by a period of reduced metal consumption and low prices.

It is plainly to be seen that the base-metal producers in other districts do not welcome increased production from the Rocky Mountain area; competition which may be irksome to them later. They therefore decry the possibilities of large output here, and dwell on the precious-metal content of many Rocky Mountain ores as giving them an unfair competitive advantage; omitting to add that cheaper labor and other conditions more than offset it.

Nor should we assume that, in mines containing base and precious metals, their relative importance will remain unchanged. You may not remember, as I do, that Anaconda itself started out as a silver district. Red Mountain, in Colorado, which is now remembered for its exhausted silver bonanzas, is in my opinion a potentially important base-metal district, which should be producing needed critical metals now.

What is certain is that the Rocky Mountain deposits (containing silver or gold) are capable of making a greatly increased production of lead, zinc and copper; and that no other known deposits in the United States can do so. Is this increased production needed? If so, how can it be made available?

To reduce the value of the gold and silver which are also locked in these ores until separated by smelting and refining of the metals, will tend to reduce the total production of the metals, now seen to be critical: not to increase it.

4) What interferes with realization of this potential increase? Private capital is not available for venture mining, because

- a) It needs the incentive of possible large reward; but this, if realized, will be confiscated by excess-profit taxes.
- b) Fear of reduced price of silver, which will offset the premium offered by Metals Reserve Company for over-quota production of copper, lead and zinc.
- c) Fear of further increases in wages and other elements of cost, and in efficiency of labor, as the best men are drawn off into the armed forces, or into munition plants.
- d) Knowledge that, after the war ends, a determined attack will be made on Rocky Mountain producers, through discriminative increases in freight rates and smelting charges, as in 1919-21.
- e) Withdrawal of priority rights from base-metal mines, the product of which contains thirty per cent of its total value as gold and silver.

Because of these, I have come to the conclusion that, if the increased production is needed, it must be brought about by Government financial aid, which is not now available.

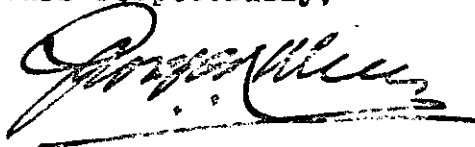
Loans from Reconstruction Finance Corporation are not obtainable, unless ore is "blocked-out" and completely accessible for examination by the corporation's engineers. A large proportion of these mines have been idle since the close of the last war: to reopen them for the purpose of examination would cost nearly as much as for that of working. Moreover R.F.C. loans require too much time to be applicable to an emergency like the present.

Shortly after Pearl Harbor, it became obvious, to me at least, that it would be found necessary to expand metal production within our own borders. I therefore proposed to War Production Board to turn over such mines as were owned or controlled by myself for operation without charge, or operate them without profit. This offer has not been accepted: possibly some special authority from Congress might be necessary. I believe many other owners of mines would do the same, subject to a small allowance for depletion of the minerals extracted under Governmental operation or control.

Should the opinion of the senior Senator from Colorado prove correct, a much more stringent scarcity of these metals may be expected within six months. I trust not, for the deficiency in output is sufficiently evident now. But should a worse need develop, it would then be impossible to do much towards getting increased production from Colorado for another year, most of our mines being at altitudes of 9,000 to 13,000 feet. If action is to be taken, now is the time for it.

But above all, it is useless to expect increased production from Rocky Mountain copper, lead, and zinc mines, without correspondingly increased production of gold and silver to help pay the cost. Even if you think the present output of base-metals is sufficient, this is no time to cut off a substantial part of it by cessation of silver purchases.

Yours respectfully,



George E. Collins

April 24, 1942.

Mr. George E. Collins,
Boston Building,
Denver, Colorado.

Dear Mr. Collins:

As Chairman Eccles is temporarily absent from the city, I wish to acknowledge your letter of April 21 in regard to his views on silver.

He is, of course, aware of the fact that silver is, as you say, a good deal of a by-product and that the essential metals such as copper, zinc, lead, etc., are urgently needed in ever-increasing volume. He has taken the position, however, that if the Government considers it to be in the public interest to continue to pay a subsidy for domestic production of silver, then it should be frankly recognized as a subsidy and disentangled from all the monetary fetishism that has characterized and, he thinks, hurt the case frequently made for it. He has said that he would infinitely prefer to pay a higher price or a subsidy directly for the production of copper, lead, etc., which are needed in the war effort rather than to go on paying the subsidy on the silver which we do not need, certainly from any monetary standpoint, but only bury at West Point. He has taken the position that if we are going to continue to subsidize silver, then it ought to be released for industrial uses at the commercial price, letting the Government take the loss, that is, the difference between that price and what the Government has to pay for it.

Yours is a dispassionate and thoughtful letter which I am sure Mr. Eccles will be interested to read upon his return.

Sincerely yours,

(Signed) Elliott Thurston

Elliott Thurston,
Special Assistant
to the Chairman.

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