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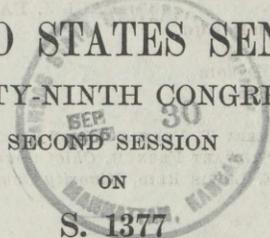
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# GOLD PRODUCTION INCENTIVES

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## HEARING BEFORE THE SUBCOMMITTEE ON MINERALS, MATERIALS, AND FUELS OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS UNITED STATES SENATE



EIGHTY-NINTH CONGRESS  
SECOND SESSION

ON  
S. 1377

TO REVITALIZE THE AMERICAN GOLD MINING INDUSTRY

S. 2562

TO PRESERVE THE DOMESTIC GOLD MINING INDUSTRY AND  
TO INCREASE THE DOMESTIC PRODUCTION OF GOLD

S. Res. 83

TO CREATE A SELECT COMMITTEE TO STUDY GOLD PRODUCTION IN THE UNITED STATES

MAY 4, 1966



Printed for the use of the Committee on Interior and Insular Affairs

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TO CREATE A SELECT COMMITTEE TO STUDY GOLD PRODUCTION IN THE UNITED STATES



Printed for the use of the Committee on Interior and Insular Affairs

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## GOLD PRODUCTION INCENTIVES

WEDNESDAY, MAY 4, 1966

U.S. SENATE,  
SUBCOMMITTEE ON MINERALS, MATERIALS, AND FUELS  
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,  
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 3110, New Senate Office Building, Senator Ernest Gruening (chairman) presiding.

Present: Senators Gruening, Jordan of Idaho, and Allott.

Also present: Jerry T. Verkler, staff director; Stewart French, chief counsel; Porter Ward, professional staff member.

Senator GRUENING. The hearing will please come to order.

This is an open, public hearing by the Minerals, Materials, and Fuels Subcommittee of the Senate Interior Committee on three measures designed to increase supplies of gold in our National Treasury from our own American resources and to alleviate the desperate plight of our American gold producers and miners—a condition brought about directly as the result of highly discriminatory action by the Government of the United States, which takes place in administrations of both political parties, so there are no political implications in this chastisement.

These bills are S. 1377, which I sponsored for myself and 8 other Senators; S. 2562, sponsored by Senator McGovern for himself and 7 other Senators, and Senate Resolution 83, sponsored by Senator Bartlett with 11 cosponsors.

I will direct that the text of each of these measures be set forth in the record at this point. Also, any reports that the committee may receive from any of the executive agencies will accompany the text of the bill of which the report is the subject.

(The data referred to follow:)

[S. 1377, 89th Cong., 1st sess.]

A BILL To revitalize the American gold mining industry

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, This Act shall be known as the "Gold Mine Revitalization Act of 1965".*

SEC. 2. PURPOSE.—(a) For the purpose of aiding and restoring to profitable operation the domestic gold mining industry of the United States the Secretary of Interior is hereby directed to establish and administer a program to compensate domestic producers of gold for the difference between individual base average costs of production during the fourth quarter of 1939 of currently eligible mines, as determined by the Secretary, and the same or equivalent current costs, similarly determined, of individual operators qualified for assistance under this Act in the fourth quarter of 1963. Where base average costs during the fourth quarter of 1939 are shown to be abnormal because of the occurrence of events

beyond the control of the operator, including, but not limited to, production stoppages, natural disasters, or unavoidable accidents, such costs shall be reconstructed from the best available data.

(b) In order to assist new domestic gold mining enterprises and stimulate new production, the Secretary is authorized and directed to establish and administer a similar program for mines which have no history of production for the fourth quarter of 1939 nor for the fourth quarter of 1963 by computing a constructive cost of production taking into account production costs of mining gold in the same or adjacent mining districts under similar conditions for said named periods in order to determine the amount of subsidy payments, if any, to which the new mine operator is entitled.

SEC. 3. COSTS OF OPERATION SUBSIDIZED.—Costs of operating domestic gold mines for which differential payments will be allowed shall include—

- (a) costs of all labor including clerical, supervisory, management, administrative, and technical;
- (b) costs of amortization of capital investment in equipment and construction necessary to efficient operations;
- (c) costs of mine rehabilitation;
- (d) costs of transportation of mine products, smelter freight, treatment and deductions;
- (e) costs of unemployment compensation and fringe benefits;
- (f) costs of supplies, materials, and power;
- (g) costs of State, county, and city property taxes;
- (h) costs of such other expenses as are usual, customary, and normal according to accepted, sound, modern mining practices.

SEC. 4. ELIGIBILITY REQUIREMENTS.—To qualify for cost differential payments under this program, an applicant shall—

(a) make a showing, by application to the Secretary, that for his next fiscal year, commencing after submission of the application, costs of efficient operation are at a level in excess of an amount at which the applicant can anticipate earning a reasonable profit during the period for which application for assistance is made;

(b) demonstrate existence of financial resources and technical capability sufficient to operate profitably, under the conditions by which assistance under this Act is allowed;

(c) agree that, for the period of time for which assistance is received the principal production from the specific mineral property for which application is made shall be gold, and no applicant shall be qualified for assistance under this Act unless the dollar value of gold sold during the period for which payments are made is 50 per centum or more of the total value of all minerals and metals contained in ores and concentrates produced and sold from such specific mineral property: *Provided*, That payments shall be made only for the gold produced in the proportion the nonsubsidized value of the gold produced bears to the value of the total amount of minerals sold from said property.

SEC. 5. AMOUNT OF PAYMENTS ALLOWABLE.—Payments under this Act shall be in such amounts as may be necessary to carry out its purpose, except that—

(a) no such payment shall, in any case, exceed the difference between individual base average costs of production of gold during the fourth quarter of 1939 and the same or equivalent costs in the fourth quarter of 1963;

(b) no differential computed under (a) shall exceed, in proportion, the difference between the Consumer Price Index of the United States Department of Labor for January 1940, and the cost of living index as of date of application for payment.

SEC. 6. DETERMINATION OF ELIGIBILITY AND NEGOTIATION OF AGREEMENTS.—(a) Producers of gold may apply to the Secretary of the Interior for gold production differential payments under this Act who shall determine (1) the eligibility of the applicant, and (2) amount of payment necessary to enable the applicant to operate at a reasonable profit during the period for which application is made.

(b) Upon determination of eligibility of a producer for payment the Secretary shall enter into a gold production differential payment agreement which shall contain such terms and conditions as the Secretary and the producer shall agree upon, including, but not limited to (1) the manner in which costs shall be ascertained for purposes of making payment; (2) terms and conditions for

making payments; (3) conditions under which payments shall be withheld or reduced.

SEC. 7. BOARD OF GOLD DIFFERENTIAL PAYMENTS REVIEW.—(a) There shall be established in the office of the Secretary an independent Board of Review of three members to be appointed by the Secretary, the Chairman to be designated by the Secretary, that shall be responsible for a continuing review of the level of payments under this Act to determine if they are sufficient or in excess of amounts required to accomplish its purposes.

(b) The Secretary shall, by regulation, establish a procedure for review by the Board of Review of applications of producers whose claims are denied, disallowed in part, or reduced. Producers shall have an opportunity to submit reasons in support of their claims before final action of the Secretary.

(c) Members of the Board of Review shall be appointed by the Secretary from among individuals qualified by reason of experience in the mining industry, two of whom shall have had experience in gold mining.

(d) The Board of Review shall be required to meet quarterly. Members shall be paid at the rate of \$50 per day for each day services as a Board member are required and shall be reimbursed for actual and necessary travel expenses and per diem in accordance with the Travel Expenses Act of 1949.

SEC. 8. The Secretary of the Interior shall prescribe such rules and regulations as may be necessary to carry out the provisions of this Act.

SEC. 9. There are authorized to be appropriated such amounts as may be necessary to carry out the provisions of this Act, not to exceed an annual amount of \$50,000,000.

[S. 2562, 89th Cong., 1st sess.]

A BILL To preserve the domestic gold mining industry and to increase the domestic production of gold

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* This Act shall be known as the "Gold Mines Assistance Act of 1965".

#### PURPOSE

SEC. 2. For the purpose of aiding and stabilizing the gold mining industry of the United States by maintaining the rate of gold production from currently operating gold mines and by stimulating increased gold production through the reopening of mining properties which have ceased operations prior to January 1, 1965, and to encourage exploration, development, and commencement of new gold mining operations, the Gold Mines Assistance Commission is hereby directed to provide financial assistance to domestic producers of gold based upon the standards and eligibility requirements as hereinafter set forth. It is the intent of this Act that financial assistance payments to domestic gold producers hereunder shall have no relation to the monetary price of gold paid by the Treasury Department of the United States.

#### AMOUNT OF PAYMENTS ALLOWABLE

SEC. 3. Payments under this Act shall be in such amounts as may be necessary to carry out its purpose subject to the standards, restrictions, and limitations hereinafter set forth.

(a) Each domestic gold producer who has operated a gold mine continuously for one year prior to the effective date of this Act shall be entitled to annual assistance payments of 5 per centum of the value of its total gold bullion receipts produced in such year: *Provided*, That the application for such assistance by such producer shall be certified as being in conformity with the standards and eligibility requirements as hereinafter set forth in section 4(a) and section 5: *Provided further*, That such domestic gold producers who are duly certified shall be entitled to an increase in financial assistance payments at the rate of 3.75 per centum for each five-point increase in the Consumer Price Index, United States Department of Labor, from and after the effective date of this Act, added to the 5 per centum rate applicable to total annual gold bullion receipts as provided for in this section.

(b) Applicants who have not operated a gold mine continuously for one year prior to the enactment of this Act shall be entitled to receive a financial assistance payment of 125 per centum of the total gold bullion receipts produced

from the gold mine of such applicant during the year immediately preceding the date of his application: *Provided further*, That such applicant has been duly certified as being in conformity with the standards and eligibility requirements as hereinafter set forth in section 4(b) and section 5.

(c) Applicants under (b) above who have been duly certified shall be entitled to receive annual financial assistance payments as therein provided for a period of five years from and including the year such applicant first received such financial assistance payment: *Provided*, That thereafter such domestic gold producer applicant shall be entitled to annual financial assistance payments as provided in (a) above provided such producer has been duly certified in accordance with the provisions of this Act.

#### COST OF OPERATION SUBSIDIZED

SEC. 4. (a) No domestic gold producer shall be entitled to receive financial assistance payments as provided in section 3(a) unless his costs of operation for the year preceding his application for financial assistance hereunder shall be at least 125 per centum of his costs of operation for the year 1939, if he was operating during said year, and, if not, his constructive costs of production for the year 1939 computed in accordance with the provisions of paragraph (b) of this section.

(b) In order to assist new domestic gold mining enterprises and to reopen closed gold mines for the purpose of stimulating new production applicants under section 3 (b), (c) herein who have no history of production for the year 1939 nor for the year immediately preceding the date of their application, shall, if otherwise eligible as hereinafter provided, be entitled to financial assistance payments if, by computing a constructive cost of production taking into account production costs of mining gold in the same or adjacent mining districts under similar conditions for said named periods, such costs have increased to 125 per centum.

(c) In determining whether costs have increased to 125 per centum as set forth in (a) and (b) above, costs of operating domestic gold mines shall include—

(1) costs of all labor of mining and milling, including clerical, supervisory, management, administrative, and technical;

(2) costs of amortization of capital investment in equipment and construction necessary to efficient operations;

(3) costs of mine rehabilitation;

(4) costs of transportation of mine products, smelter freight, treatment, and deductions;

(5) costs of fringe benefits;

(6) costs of supplies, materials, and power;

(7) costs of Federal Insurance Contributions Act, unemployment compensation, and other similar taxes which are or may be imposed upon the employer by the State and Federal governments;

(8) costs of State, county, and city property taxes;

(9) costs of such other expenses as are usual, customary, and normal according to accepted, sound modern mining practices and according to generally accepted accounting principles.

SEC. 5. (a) There is hereby established the Gold Mines Assistance Commission for the purpose of carrying out the policies of this Act and to administer the provisions thereof consisting of five members to be appointed by the President of the United States for a term of four years. One such member shall be appointed to represent the United States Department of Commerce, one the United States Department of the Treasury, one the United States Department of the Interior; the two remaining members shall be public members appointed from among individuals qualified by reason of experience in the gold mining industry within the past five years. The President of the United States shall designate the Chairman of such Commission.

(b) Any vacancy which may occur on the Commission shall not affect its powers or functions but shall be filled in the same manner in which the original appointment was made.

(c) The organization meeting of the Commission shall be held at such time and place as may be specified in a call issued by the Chairman.

(d) The members so appointed shall each receive \$50 per diem when engaged in the actual performance of duties vested in the Commission, plus reimburse-

ment for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

(e) Three members of the Commission shall constitute a quorum, but a smaller number as determined by the Commission may conduct hearings.

(f) The Chairman of the Commission shall invite the Governor of each State in which gold mining properties are located to designate a representative to work closely with the Commission and its staff in matters pertaining to this Act.

#### ELIGIBILITY REQUIREMENTS

SEC. 6. To qualify for financial assistance payments under this program an applicant shall—

(a) make a showing, by application to the Gold Mines Assistance Commission, that for the next year commencing after submission of the application costs of efficient operation will be at such high level that substantial marginal gold ore reserves will be mined only if financial assistance as provided in this program is paid to applicant;

(b) demonstrate existence of financial resources and technical capability sufficient to operate profitably under the conditions by which assistance under this Act is allowed;

(c) agree that, for the period of time for which assistance is received, the principal production from the specific mineral property for which application is made shall be gold, and no applicant shall be qualified for assistance under this Act unless the dollar value of gold sold during the period for which payments are made is 50 per centum or more of the total value of all minerals and metals contained in ores and concentrates produced and sold from such specific mineral property: *Provided*, That payments shall be made only for the gold produced in the proportion the nonsubsidized value of the gold produced bears to the value of the total amount of minerals sold from said property.

If the Gold Mines Assistance Commission with whom the application is so filed is satisfied that the applicant has complied with the hereinbefore set forth requirements and is eligible for financial assistance payments as hereinbefore provided, such Commission shall then certify its approval of the application and shall upon such determination of eligibility thereupon enter into a gold production payment agreement with the approved applicant providing that a financial assistance payment from funds hereinafter appropriated shall be made on a quarterly basis according to the terms of this Act upon submission of proof by said applicant of—

(1) total gross bullion receipts for the year preceding the application;

(2) establishment of applicant's cost of operation for the year 1939 and the year preceding application under section 3 (a), (b), or (c) whichever is applicable.

SEC. 7. Domestic gold producers who are entitled to financial assistance payments under the provisions of this Act, shall still be required to deliver and sell their gold bullion produced from their gold properties to the United States mints at the price established by the United States Government.

SEC. 8. The Gold Mine Assistance Commission shall prescribe such rules and regulations as may be necessary to carry out the provisions of this Act relating to administration by its office as provided in the last preceding section.

SEC. 9. There are authorized to be appropriated such amounts as may be necessary to carry out the provisions of this Act not to exceed an annual amount of \$50,000,000.

[S. Res. 83, 89th Cong., 1st sess.]

## RESOLUTION

*Resolved*, That there is hereby established a select committee of the Senate to be known as the Select Committee on Domestic Gold Production (referred to hereinafter as the "select committee") which shall study the extent to which gold production in the United States is related to the national interest, the extent and character of gold production activity, both actual and potential, and the relationship of domestic gold production to the balance of international payments of the United States and the international money market, to the end that such

studies and recommendations based thereon may be available to the Senate in considering domestic gold production policies for the future.

Sec. 2. (a) The select committee shall be composed of nine members of the Senate designated by the President of the Senate of whom three shall be selected from members of the Committee on Interior and Insular Affairs, three shall be selected from members of the Committee on Banking and Currency, and three shall be selected from members of the Committee on Commerce. Of the three members of the select committee chosen from members of each such standing committee, two shall be members of the majority party and one shall be a member of the minority party. The President of the Senate shall designate one Senator to serve as chairman of the select committee from those Senators appointed from the majority party.

(b) Any vacancy in the membership of the select committee shall not affect its powers, and any vacancy in the membership of the committee shall be filled in the same manner as provided for determining the original membership.

(c) Five members of the select committee shall constitute a quorum thereof for the transaction of business, except that the select committee may fix a lesser number as a quorum for the purpose of taking sworn testimony.

(d) The select committee shall cease to exist at the close of business on December 31, 1966.

Sec. 3. The select committee shall, without limiting the scope of the study hereby authorized, direct its attention to the following matters:

(a) The current state of domestic gold production, the extent of gold deposits, the state of gold production technology and the nature of existing markets for gold.

(b) The nature of the industries utilizing gold and the nature of international gold transactions.

(c) The character of legislation that may revive and encourage domestic gold production and the alternatives available to Congress in this respect.

Sec. 4. The select committee shall transmit to the Senate not later than December 31, 1966, the results of the study herein authorized together with such recommendations as may at that time be found desirable.

Sec. 5. In the conduct of this study full use shall be made of the experience, knowledge, and advice of private organizations, schools, institutions, and individuals. The select committee may divide the work among such groups and institutions as it may deem appropriate and may enter into contracts for this purpose. Full use shall be made of studies and plans prepared by any department or agency of the executive branch of the Government, and any such department or agency is requested to give the select committee or any of its authorized study groups or consultants such assistance as may be required.

Sec. 6. (a) For the purpose of this resolution, the select committee is authorized to employ on a temporary basis through December 31, 1966, such technical, clerical, or other assistants, experts, and consultants as it deems desirable. The expenses of the select committee under this resolution, which shall not exceed \$\_\_\_\_\_, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the select committee. The chairman may designate one or more members who may act for him for the purpose of this resolution.

(b) For the purposes of this resolution, the select committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such places and times, to require, by subpoena or otherwise, the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures, as it deems desirable.

DEPARTMENT OF THE INTERIOR,  
OFFICE OF THE SECRETARY,  
Washington, D.C., May 2, 1966.

HON. HENRY M. JACKSON,  
Chairman, Committee on Interior and Insular Affairs,  
U.S. Senate, Washington, D.C.

DEAR SENATOR JACKSON: Your Committee has requested our views on S. 2562, a bill "To preserve the domestic gold mining industry and to increase the domestic production of gold." This report applies equally to S. 1377, a similar bill.

We recommend against enactment of the bills.

S. 2562 proposes to aid the domestic gold mining industry by maintaining the rate of gold production from currently operating gold mines and by stimulating increased gold production through the reopening of mining properties which have ceased operations prior to January 1, 1965, and to encourage exploration, development and commencement of new gold mining operations by providing financial assistance to eligible domestic producers of gold as follows:

"Assistance payments to each eligible domestic producer at the rate of 5 per centum of the value of the gold produced, with provision for a further increase of 3.75 per centum for each five-point increase in the Consumers Price Index, U.S. Department of Labor."

S. 1377 proposes to aid the domestic gold mining industry by directing the Secretary of the Interior to establish and administer a program of gold production differential payments which would compensate eligible individual operators for the difference between base average costs of operations during the fourth quarter of 1939, as determined by the Secretary, and the same or equivalent costs in the fourth quarter of 1963. This bill is very similar to S. 2125, 88th Congress.

We recognize that financial aid to the gold mining industry through payments based on increased costs of production would provide incentive for reopening many mines and increasing somewhat the production of gold. The Department of the Treasury, however, believes that payments based on the increased cost of production imply a price for gold other than the official price of \$35 per ounce, and therefore are not consonant with the established policy of the executive branch to maintain the fixed-price relationship between the dollar and gold which underlies the United States monetary policy.

The Department of the Interior, recognizing that the paramount national interest in gold is in its monetary use, defers to the Department of the Treasury on those elements in the gold problem where monetary policy is involved. Our area of responsibility extends only to gold as a mineral commodity and even in this role we are obliged to recognize the unique position of gold resulting from its fixed-price relationship to the dollar both domestically and in international exchange.

Taking account of the Administration policy of maintaining the fixed price for gold, the Department of the Interior has adopted several programs to aid and encourage domestic gold mining:

(1) The Office of Minerals Exploration in 1961 extended its program of financial aid to exploring mineral deposits to include gold. From July 1961 through April 26, 1966, a total of 41 gold exploration contracts involving a total cost of \$2,338,979 have been executed under the OME program of which the Government's share is 50 percent.

(2) Our Bureau of Mines is completing a comprehensive study of the Nation's gold potential, begun in 1963, and will publish the results this year. This study encompasses engineering and economic factors relating to the cost of producing gold from currently profitable, as well as economically submarginal, deposits. The basic information compiled by this study will permit us to make more meaningful estimates regarding reserves and potential production and perhaps relate to the gold mining industry the production expansion possibilities of improved technology, automation, and availability of skilled manpower.

(3) The Bureau of Mines has developed new techniques for sampling and evaluating low-grade deposits which may, in conjunction with related mining methods and metallurgical studies, demonstrate to the mining industry the economic feasibility of exploiting certain deposits by the application of open cast or block caving methods of mining.

We believe that these gold resources and research studies by our Bureau of Mines will furnish basic data needed by Government agencies and the Congress in establishing policies that will benefit the industry and stimulate development of the Nation's gold resources.

(4) For many years our Geological Survey has maintained a modest precious metals program on a continuing basis. Since 1960, however, because of increasing domestic needs the Survey has, through internal reprogramming, accelerated its efforts and achieved spectacular benefits for the cost of the program. Two areas of activity have been the focus of the effort: (1) Development of new geochemical and geophysical techniques for identification and assaying as a direct aid in field exploration, and (2) field geologic mapping in areas selected as promising mineralized districts to provide an

understanding of the three-dimensional structure of the rock framework below the surface.

Near Carlin, Nevada, a new mine began operations in 1965 and, according to the Newmont Corporation, is based on a hard rock deposit value in excess of \$120 million. The ore reserve is stated as more than 11 million tons averaging 0.32 ounces of gold per ton. The operating company publicly accredited our Geological Survey's geologic work leading to this target for development drilling.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

J. CORDELL MOORE,  
*Assistant Secretary of the Interior.*

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THE GENERAL COUNSEL OF THE TREASURY,  
*Washington, May 3, 1966.*

Hon. HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 2562, a bill, "To preserve the domestic gold-mining industry and to increase the domestic production of gold."

The proposed legislation would establish a Gold Mines Assistance Commission which would provide financial assistance to domestic gold producers on the basis of a domestic costs-of-production formula. Under the bill, gold producers who had been in operation for one year prior to enactment would be entitled to basic annual payments of 5 percent of total gold bullion receipts in such year, plus payments at the rate of 3.75 percent for each five-point increase in the Consumer Price Index occurring after the date of enactment. Producers who had not been in operation for one year prior to enactment would be entitled to receive payments equal to 125 percent of total gold bullion receipts during the year immediately preceding the date of application. To be eligible for such assistance, the applicant would be required to establish that his costs of operation for the year preceding his application were at least 125 percent of his costs of operation for the year 1939. In the case of gold producers who were not in business during the year preceding the application or in 1939, these costs could be computed constructively, taking into account production costs of mining gold in the same or adjacent mining districts under similar conditions for the period in question.

The bill would also prescribe certain other eligibility requirements, including a requirement that payments may be made only to mines in which gold production accounts for at least 50 percent of the total value of all the minerals produced. Payments would be made only for gold produced. The bill would further provide that the financial-assistance payments to gold producers thereunder are not intended to have any relation to the monetary price of gold paid by the Treasury Department.

The Treasury Department is opposed to enactment of the proposed legislation because this could lead to uncertainty and speculation with regard to future gold prices. Payments to gold miners designed to take into account increases in costs of production since 1939 could be interpreted to imply the recognition by the United States of prices for gold which are higher than the official rate of \$35 per ounce, and as a first step in the direction of revising this official price. This could undermine confidence in the stability of the Treasury price for gold in international transactions, tending to shake confidence in the dollar and to aggravate our gold outflow problem. The statement in the proposed legislation to the effect that a change in the monetary price of gold is not intended would not in our opinion materially reduce the serious danger to the dollar which could result from such payments to gold producers.

Gold is not comparable to other commodities or metals. It is primarily important as a monetary standard of value. The dollar is firmly linked to gold. The Treasury accomplishes this by standing ready to purchase and sell gold at the fixed price of \$35 per ounce. The monetary system of the entire Free World is hinged to the interconvertibility which we maintain between gold and the dollar at that price. Thus, it is of vital importance for the stability of the

dollar—and for the Free World economic and political system to which this stability contributes—that there be no doubt about our intention to maintain a \$35 price. If any such doubts should arise, the role of the dollar as an international reserve and means of payment could well be shaken to the point of causing a severe reaction on international trade.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

Sincerely yours,

FRED B. SMITH, *General Counsel.*

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EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., May 9, 1966.

HON. HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your letter of October 4, 1965, inviting the Bureau of the Budget to comment on S. 2562, a bill "To preserve the domestic gold mining industry and to increase the domestic production of gold."

The bill would establish a Gold Mine Assistance Commission to administer a program of annual assistance payments to eligible domestic gold producers with provision for additional payments in accordance with increases in the Consumer Price Index.

The Departments of Commerce, the Interior, and Treasury in separate reports to your Committee have set forth their reasons for unanimous opposition to such legislation. For these same reasons, the Bureau of the Budget recommends against the enactment of S. 2562.

Sincerely yours,

WILFRED H. ROMMEL,  
*Acting Assistant Director for Legislative Reference.*

Senator GRUENING. The list of Senators sponsoring these measures is an impressive one, containing as it does representatives from all so-called wings of both parties. It is the more impressive when we consider the long, weary years during which every effort to do something about gold—efforts to revitalize our domestic gold mining industry and to do equity to our gold miners—has met with frustration, has come up against negativism and an obdurate "they shall not pass" attitude on the part of the professional bureaucrats of all administrations, regardless of whether Democrats or Republicans were in control.

Not only have gold miners suffered from the intransigent opposition of the executive branch to legislative measures introduced to assist them but, worse, they have been the victim of unparalleled confiscatory action by executive fiat. I refer to the infamous War Production Board Order L-208 of World War II. This arbitrary act of the executive branch closed all gold mines—an act not taken against any other segment of American industry and by no other of the free nations engaged in the war. The closure of the mines at that time made reopening impossibly expensive after the war. No recognition has ever been made of liability of the Federal Government for the infinite damage done so capriciously. This is another strong reason for assisting the gold mining industry.

Always, there has been an unsurmountable mental block on the part of the administration professionals that any attempt to increase gold production from our American mines and help our American gold

producers would upset the monetary structure of the free world—that bankers in Switzerland, England, France, and elsewhere would be made even more nervous and even more jittery.

The subcommittee wishes to point out emphatically that none of the measures before us today or presented by me and my cosponsors previously call for any increase in the present price of \$35 an ounce for gold, nor do they in any way have any bearing upon the responsibilities or the jurisdiction of the Treasury Department with respect to the International Monetary Fund, the buying and selling of gold at \$35 an ounce, or otherwise.

The \$35 price was set by President Roosevelt more than 30 years ago, in 1934, as a depression measure. Gold was then selling for \$20.70 an ounce. The world has changed greatly since those depression days, with costs and prices of almost all commodities, including mining machinery and, most of all, labor, more than doubling. But the price for gold fixed by the Federal Government has not changed.

Instead, the \$35 figure has acquired a peculiar mystique, or sanctity, of its own with the Government theoreticians incanting over and over again that the currency of the free world somehow would be thrown into chaos by an effort on the part of the American Government to increase now the price it decided 30 years ago to pay to American gold producers.

Ever since the end of the war, efforts have been made in successive Congresses, under both Democratic and Republican majority control, to raise the price of gold. The proposed price has varied from \$70 an ounce, or double that of 1934, to \$105, or triple it. Invariably, spokesmen for the Treasury have led the opposition of whatever administration was in power against such proposed legislation, insisting it would somehow upset the international monetary appletart. Efforts to appease them, through offers to have the bills declare legislatively that the official Government price for gold—the price at which the Government would sell gold to foreign national banks—would remain at \$35 an ounce and that the proposed \$70 or \$105 price to be paid for newly mined domestic gold was a subsidy by the American Government to American gold producers, have been of no avail. The counterargument always has been that this would establish a two-price system for gold, and that such a two-price system would be very upsetting to foreign bankers.

Hence, gold mining aid bills based on an increase in the price of gold always have failed to win approval.

Time and again members of the committee, both in open hearings and privately, have called upon the successive administrations to suggest an alternative positive program. No alternative to the negative no action approach has been forthcoming.

S. 1377 and S. 2562, however, offer a new and different approach. They do not even mention the word "price." Instead, they establish an incentive program, based on the differences in costs of production, to be administered by the Secretary of the Interior, who has overall general responsibility for Federal measures affecting domestic mines and mining as such. This domestic program would be for the sole purpose of stimulating domestic gold production and aiding domestic producers.

Thus the committee is unable to see how the proposed legislation possibly could cause apprehension on the part of foreign bankers or upset international currency transactions. Certainly, it is in nowise a two-price system. Price is not a basis for the aid provided; it is not even mentioned in the bill.

Rather, the measures deal with gold as a mineral, domestic production of which is desperately needed by our country. It does not touch upon gold as a medium of international monetary exchange.

As stated, the program established by S. 1377 and S. 2562 would be administered by the Department of the Interior as mine production programs. They would be completely, totally and absolutely separate from the operations of the Department of the Treasury in its gold purchasing and selling operations under which foreign bankers will continue to get gold for their dollars (which Americans cannot get), based on the unrealistic \$35 an ounce rate.

Let me sum up by pointing out that the maltreatment of our gold miners represents a unique discrimination in our free enterprise system against one industry—once a great industry. I shall not cease my efforts to have that great injustice rectified.

As I have pointed out, we have with us this morning an illustrious group of witnesses, whose views I know will be of great value to the subcommittee. Does any member wish to make a statement at this time?

Senator, Allott, I believe you have a statement of your own to make?

Senator ALLOTT. Yes, Mr. Chairman, I had originally planned to submit this statement for the record, but if you do not mind, since it is very short, I would like to read it.

Senator GRUENING. You may do so, Senator.

#### STATEMENT OF HON. GORDON ALLOTT, A U.S. SENATOR FROM THE STATE OF COLORADO

Senator ALLOTT. It is always a pleasure to make a statement before this subcommittee but in this case I do so with some regret. I regret having to make this statement because I believe that our gold situation could have been vastly improved long ago had the Treasury Department and the administration exhibited a more cooperative attitude. As the Chairman knows, I have been sponsoring gold legislation in every Congress since I introduced S. 1539 in the 86th Congress. The Chairman has sponsored several bills dealing with the gold situation; and other Senators have sponsored gold legislation. A great variety of approaches to our deplorable gold situation have been advanced. What has been the result of all of this legislative effort? In a word—nothing. Treasury and the administration have responded to these constructive proposals with either stony silence or the usual all-encompassing statement of opposition: that it could result in "instability of the dollar."

The gold disappearance in this country has been going on at an alarming rate. The drain on our gold reserves became critical in 1961. In that year outflow of gold exceeded 22 million ounces while imports were a mere 1.6 million ounces. Since then there has been a tapering off of the outflow of gold, but we have never achieved a favorable balance of imports, and I might insert here that the newest re-

ports by the Wall Street Journal this morning indicate that we are not going to achieve it this year, either.

In 1949, U.S. Gold reserves stood at about \$24.4 billion. In November of 1965, U.S. Gold reserves were about \$13.8 billion. At the end of March, the U.S. Gold supply stood at \$13.7 billion.

Despite all of this, the only gold legislation that received the approval of the Treasury Department was the measure that was passed last year which removed the requirement for 25 percent gold backing on Federal Reserve deposits. This kind of "solution" is no solution at all, it merely postpones the decision that will have to be made, and at the same time increases the danger; and it is for that reason that I did not vote for it. This problem is not going to go away simply by wishing it away. The longer we delay in coming to grips with it, the more difficult it will be to resolve it.

We seem to be going the same way with gold that we have gone with silver. At the end of 1958 we had 2.1 billion ounces of silver in Treasury stocks. By April of 1965 Treasury stocks were down to less than 1.1 billion ounces, and by April of 1966, stocks were down to 744 million ounces. Of the 744 million ounces 490 million are secured by silver certificates, leaving 254 million ounces unencumbered. These are the figures given to me by Secretary Fowler and Secretary Wallace during the Treasury and Post Office appropriations hearing last month. Now, of that remaining 254 million ounces, 130 million ounces will be required for industrial uses this year, and 30 million ounces will be needed for the production of 200 million half dollars in fiscal year 1967. With a domestic production of 40 million ounces, we could expect unencumbered Treasury stocks to stand at about 134 million ounces. Based on these figures, the Treasury will be essentially out of silver by the end of fiscal year 1968, except for the 490 million ounces that are secured by silver certificates.

The coinage bill did offer the Government an opportunity to make a nice profit on the silver recall from coinage. Secretary Fowler estimated that seigniorage for fiscal years 1966 and 1967 to be roughly \$2.5 billion.

Silver is now pretty well out of the picture as a monetary metal. If we are to have the same kind of leadership and planning with gold that we have witnessed with silver, it would appear that we can expect gold to be soon removed from the monetary scene.

On August 9, 1965, a meeting was arranged by Senator Gruening, the distinguished chairman of this subcommittee, and it was attended by Treasury Under Secretaries Barr and Deming, and I might say as well as by several members of this committee. During that meeting both gentlemen expressed disapproval of either a subsidized or a two-priced system, stating that in their opinions either proposal would cause greater conversion to gold by foreign holders of dollars in the belief that the price of gold was about to increase. However, this does not explain the massive conversion that has been going on since 1961. Apparently, quite a few prefer gold to dollars now. It is my hope that these hearings will shed some light on why gold is preferred to dollars, and by whom.

Also, at that meeting, Secretaries Barr and Deming expressed the belief that only two "acceptable" avenues to increase gold production

are open. One was to increase the depletion allowance and liberalize depreciation for income tax purposes. The other was to launch a massive effort to improve methods of discovery and refining. It was suggested that Treasury draft a proposed change to the Internal Revenue Code that would create a more favorable tax climate for the goldminer. However, to my knowledge nothing has been submitted. With regard to the launching of a massive effort to improve methods of discovery and refining, there are two basic defects with this suggestion: First, it would take years to complete such research, and assuming that the research was successful, it would take several more years before its results would produce any appreciable increase in production. We do not have years to wait.

Second, it would require a large investment, and generally speaking, the gold industry is not in any position to finance it.

So, we find ourselves in this position: The proposals that have been made that might have an early effect in increasing gold production are violently—I might say even stubbornly—opposed by the Treasury Department; and the proposals that are ostensibly acceptable to Treasury are unrealistic or Treasury does not seem prone to act. Inertia has been the one overriding element in the gold situation.

Most of the gold mining districts are depressed areas with substantial and consistent unemployment. We have a poverty program and a whole myriad of other programs to create jobs, but we have nothing for the gold miner. He is forgotten even though the product he could produce is of such great importance to our monetary system.

There are those who have suggested that we remove the gold backing from our currency in the mistaken belief that it would have little effect upon our economy and the "stability of the dollar." I disagree with that thesis completely. But, judging by what has happened in the past year, namely, the debasing of our coinage and the removal of the gold cover from Federal Reserve deposits, it would appear that that is the direction in which we are headed. If, as has been indicated by Treasury officials, the mere discussion of the gold situation has an unsettling effect upon foreign dollar holders, what would happen to the "stability" of the dollar if we removed the gold cover? I can assure you that I will never vote to remove the gold cover from our currency. In my opinion, such action would lead to financial chaos in this country.

As you know, I am a cosponsor of Senate Resolution 83, which would establish a Select Senate Committee on Domestic Gold Production. Considering the history of all of the past legislative proposals to provide an answer to the gold situation, I have come to the conclusion that nothing less than a concentrated, concerted, and continuing effort is required to overcome the resistance and inertia. Senate Resolution 83 may provide us with the mechanism with which to do the job. If the bill is amended, I hope that it will only be amended in such a way that the powers of the select committee created by it will be strengthened, so that we may at long last find an appropriate and effective way to increase domestic gold production, and restore our Treasury reserves to a reasonable level.

Thank you, Mr. Chairman, for the opportunity to make this statement at this time.

Senator GRUENING. Well, Senator Allott, that is a very helpful and realistic presentation of the situation.

I would like to comment, as I have before, on the fact that this seems to be a sort of bipartisan situation. We have the continuous opposition from the Treasury Department, both under Republican and Democratic administrations, and we have the same bipartisan effort bent on getting something done that will help the gold miners as was evidenced by this committee and by the full committee, which last year voted unanimously to report a bill which I had introduced for subsidizing gold mining and to eliminate the differential between the cost of gold mining in 1940—we took that as an average year—and our present situation. So we have a rather unique situation here where this is not a party matter at all but is a conflict, really, between the legislative and the executive branches of the Government. As one representative of the legislative branch, I intend to do everything I can to continue to seek a solution to this issue. I think it is one of the most tragic and one of the most stupid examples of governmental obstinacy and ignorance. No one on this committee, either this year or last year or in previous years, has been able to understand the mumbo-jumbo which on this issue emanates from the Treasury Department. The talk about starting a panic and a run on the dollar when we seek to help gold mining is absolutely without validity. I have discussed this thing with foreign bankers who say so. But somehow, in the Treasury Department, which affects to speak for bankers all over the world, this impression continues to be held.

Senator ALLOTT. The Senator is quite correct. We held several meetings last year with various officials of the Government. You will recall that I suggested last year, at one of these meetings, an increase in the depletion allowance as a method which might be utilized to increase the production of gold which would have, in effect, the result of giving the gold miners a larger net profit. I have never heard anything from the Treasury Department on that. I would like to inquire if the chairman has.

Senator GRUENING. No, we have heard nothing from the Treasury Department. I have a bill which is now before the Finance Committee, which was passed in the House, which would increase the amount of deduction for exploration above the present limits, which I think would be somewhat helpful, although not particularly applicable to gold as it would be to other metals. The Treasury Department's suggestion of tax relief might be of some value to the few remaining gold operations. But in the majority of cases it would be like expecting a physician to apply therapy and surgery to a corpse. Once a mine is closed, giving it tax relief does not seem to be very realistic.

Senator ALLOTT. That is quite correct; and as the chairman knows, I am a cosponsor of the measure before the Finance Committee.

Senator GRUENING. Thank you very much.

A number of Senators who are sponsors of one or more of the measures before us have submitted statements for the record. They were unable to be here today. Without objection, they will be printed at this point.

(The statements referred to follow :)

## STATEMENT BY HON. ALAN BIBLE, A U.S. SENATOR FROM THE STATE OF NEVADA

Mr. Chairman, I want again to commend the chairman of this committee for his desire not only to bring the plight of the domestic gold mining industry to the attention of the public but to press for a solution that will breathe new life into the industry.

There are a number of bills before this subcommittee. All are meritorious. All seek to rectify the inequities that burden gold miners. Since I first came to this body, I, too, have continually sponsored legislation to assist domestic gold mining. During the current Congress I have submitted bills for improving the tax climate of our precious metals industries and have co-sponsored S. 2562, which I believe should be approved by this Committee.

On every occasion that we members from the West have brought in bills to provide Federal financial assistance to our needy gold mines, we have met with rebuff from the Executive Branch. Each Administration, Republican or Democratic, has viewed with alarm the possibility that we might approve a subsidy for domestic gold mining. All of them expressed fears that such action would create a two-price system for gold—one for the miner and the other for monetary purposes—which might lead foreign nations and their central banks to lose confidence in our monetary structure.

I say to you that these fears are unfounded. Canada has for some time paid production bonuses to its gold mining industry. It has also afforded that industry tax relief. Australia also has seen fit to provide incentives for gold production. These acts of special treatment have not stirred foreign bankers to look with apprehension upon the strength of the monetary systems of those two countries. Why then single out the United States?

S. 2562 makes it perfectly clear that the subsidies provided for reopening dormant mines and developing new mines, plus the modest financial payments to currently operating primary gold mines, would not in any way affect the \$35 per ounce monetary price for gold.

All this bill would do is assure the domestic gold miner that his government wants a going gold mining industry that will effectively contribute to our national interest and to our security. It provides a subsidy payment to new and reopened dormant mines of up to \$44 per ounce, over and above the monetary price. It provides for a return to going mines, the principal product of which is gold, of five percent of gross bullion receipts for the preceding year. The initial subsidy is limited to 5 years, which in my opinion is much too short a period. It would take a period of ten or more years to really effectuate the steady expansion of gold production. The measure provides no windfalls.

This is constructive legislation. I hope the Administration, in its testimony, will now support it. If it does not, I hope it will at least come forward with constructive proposals of its own rather than take the negative attitude of the past.

A little review of history is in order.

Prior to 1934 the monetary price for gold was a little over \$20 per ounce. In 1934, President Roosevelt raised that price to \$35 per ounce and immediately thereafter we saw a new gold rush in the country. Old properties were reopened and explorations intensified. As a result many new mines came into being. By 1940 we had a prosperous, going and vital gold mining industry. There were more than 8,600 gold mines in operation.

Then came World War II and Government Order L-208 closing down the domestic gold mining industry on the excuse that gold mine labor would be made available to other defense needed mining industries. The record of that closing and its effect is replete with sad accounts of the loss of millions of dollars of people's savings, the dispersion of labor to other industry, and probably even the total loss of many mining properties that would have proven quite successful.

Following World War II, only those miners with heavy financing and the courage to undertake an almost impossible job of rehabilitation could resume production. During the years following production costs soared, labor, equipment, supplies, transportation, taxes and a host of other indirect costs have now doubled—even tripled in many instances. Yet gold remains pegged to a price of \$35 per ounce and the only domestic industry that has continuously been under Federal price controls since 1934 continues to suffer.

In the face of this ridiculous situation, the Executive Branch persistently refuses to aid an industry which has now reached a cost-price status that will

drive it out of existence without Federal help. At the same time, ironically, we have been spending billions for economic aid abroad.

Today we have little more than 350 gold mines in operation. This is a shocking loss from 8,200 mines since 1940. Production has dropped from some 5 million ounces in 1940 to 1.7 million ounces in 1965. At the same time industrial and arts use in the United States has risen from 1.7 million ounces in the period 1955-59 to 4.8 million ounces in 1964 and still is moving up. In other words, our own domestic production is far less than half of the supply needed by our domestic consumers.

I am aware of the serious balance of payments problem confronting this country, and I do not believe that the pending bill will provide strong enough assistance. But it certainly would go a long way toward providing enough gold to meet the demands of industry and the arts, thus relieving this drain upon our already low monetary stocks.

In Nevada, we have been blessed with a storehouse of precious metals. Since our early days we have been a leading producer of both silver and gold. Our history is much like that of the gold mining industry as a whole. The original price increase to \$35 per ounce saw a spurt in gold mining activity in our state, and production by 1940 had reached just under 400,000 ounces per year. This figure was cut in half following World War II as a result of the gold mine closings. Production dipped to slightly more than half a hundred thousand ounces in the early sixties. This trend has now reversed, but primarily because of the bonanza find of gold at the new Carlin mine. Production in most other gold mining states has been on the decline. Were it not for gold recovered as a byproduct to base metals, our annual production would be almost infinitesimal.

Proposals for increased exploration funds or for increased research into new methods of production, while admirable and much to be desired, are not the answer to the gold mining industry's problems. Simply stated, the paramount problem is one of survival in the face of sharply rising costs and a fixed price for its product, set over three decades ago.

S. 2562 provides a realistic approach to maintaining the industry's survival. It will spark new production. It will contribute to the economies of our states and the nation. It will help bulwark our ever depleting national gold stocks.

It is in the national interest that we maintain a sound gold mining industry within our own borders. I urge this Committee to approve this legislation and speed it on its way so that we need not hold a wake for the few remaining gold mines in this country in the next few years.

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STATEMENT OF HON. THOMAS H. KUCHEL, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Mr. Chairman, members of the Committee, I thank you for the opportunity to appear before this Committee on behalf of S. 1377.

The gold supply of this country and the industry which produces it are today in grave condition. It is imperative that long overdue corrective action be taken without further delay.

At the very time when our nation stands alarmed at our ebbing gold supply, the ironic fact is that our land holds rich deposits of this precious mineral. At a time when we face a devastating shutdown of gold mining operations, we find our unemployment rolls swelled with the names of skilled miners.

The gold mining industry has contributed greatly to the development of our country and, in particular, to my State of California. To many, gold is California's best-known metal. It was the magnet which drew the early pioneers and stimulated the State's growth for many years.

In 1848, James W. Marshall made his historic discovery at Sutter's Mill at Colma on the American River. Soon afterward, the gold rush was in full sway as thousands of gold seekers poured into California. In a few short years, the gold rush had caused many areas of the State to be permanently settled.

Since 1848, California gold mines have yielded more than 106 million fine ounces of gold. This is more than any other single state has produced and represents about 35% of the total United States production. In 1964, California's gold production amounted to only 71,028 fine ounces, as compared to the all-time high of almost 4 million fine ounces produced in 1851, or the 1940 production of 1,455,000 fine ounces. Today, production is practically nonexistent.

The prospectors have disappeared. The mines are empty. What was once a great industry in California and throughout the West is now merely a memory—not for any lack of gold, but because that industry can no longer find a way to survive with the sadly outdated and unrealistic price ceiling that is placed on the fruits of its efforts. Today we are asking gold miners to produce one of our nation's most urgently needed commodities at a restricted price level established over thirty years ago during the depths of the depression.

I am sure that most members of the Senate remember the early 1930's. Many families in this country had to, and did, survive on a total income of 25 or 30 cents an hour. It was possible then, but we all know how utterly impossible this would be today. We now have before this Congress legislation to raise the minimum wage to \$1.60 per hour. It was during the days of the 30 cent hourly wage, in 1934, when the price of gold was increased from \$20.67 to \$35.00 per ounce.

I believe there is far too little understanding of the tremendous investment required and the amount of raw ore that must be processed to produce a single ounce of gold. We insist that the gold mining industry produce gold in 1966 at a 1934 price level, but we do not demand that copper, aluminum or steel be produced today at 1934 prices. Nor do we demand that wheat or cotton or beef be produced in 1966 at a depression price level.

The gold industry finds itself in a situation not of its making, but which exists because the government has fixed an artificial price for gold considered necessary in the public interest as a basis for our monetary system. Monetary, not business, policies are slowly and surely forcing the demise of the gold mining industry and the artificial curtailment of our gold supply, which result is contrary to the public interest. What will we use as a basis for our monetary system when the artificially maintained price ceiling has caused our country's gold supply to disappear? We owe the gold industry relief to avoid continuation of a situation which verges on confiscation of property without compensation.

S. 1377 will go far to encourage the discovery, development and production of domestic gold. It will not change the current price paid for gold by the United States Treasury. It will not debase our currency. S. 1377 will authorize the Secretary of the Interior to assist domestic gold producers to make a comeback. It will enable the United States to rebuild its dwindling gold reserve. It will reopen to mines and make jobs available to our skilled mine workers.

I have no desire to change the monetary policy of this nation. The sponsors of S. 1377, Senators Gruening, Bartlett, Bible, Metcalf, Moss, McGee, McGovern, Mundt and I, introduced this bill to assist domestic gold producers so that the mining industry can produce sufficient gold to supply our domestic needs and to support our international monetary obligations.

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STATEMENT OF HON. LEN B. JORDAN, A U.S. SENATOR FROM THE STATE OF IDAHO

Mr. Chairman: We are discussing today a subject that has importance to the security and economic stability of our country but which is not generally recognized and studied by most of our citizens. I appreciate the opportunity of being on this committee and of discussing our gold situation. We are attempting to authorize a select Senate committee to study our total gold problem and to consider legislation that will encourage and accelerate exploration and recovery of gold deposits.

Gold was one of the first metals to attract the attention of man and has been the symbol of wealth by all the great civilizations of the world. It also attracted the attention of women because of its brilliance and beauty and because it will not rust nor tarnish. It was and still is the prestige metal of the world. There are without a doubt hundreds of tons of this precious and desirable metal locked inside our soil, in the rocks and sprinkled in streambeds within the boundaries of these United States. We need it desperately. The importance of gold cannot be over-estimated, but the exploration and recovery of gold in our country has slowed to a trickle. We have had no increase in the price of gold since 1934 while the costs of such exploration, recovery and processing has increased by about 300% since that time. Our reserve of gold which 17 years ago was 24.4 billion dollars today has dwindled to about 13½ billion dollars. The gold standard set up in 1934 allows foreign dollar holders to exchange their U.S. dollars for U.S. Treasury gold at \$35 an ounce. But it is

illegal for a U.S. citizen to own gold except for a few specified uses. We were required by law to turn in our gold for paper money.

A nation with the ingenuity, resources and resourcefulness of the United States should and must correct this situation. Because of our wealth and gold backing our dollars are the standard in the world. The acceptance of our dollar as a standard for setting international balances is based on confidence that our dollar is sound. We must not destroy that confidence. Our gold reserves are being dissipated at an alarming rate to a near crisis level. We have gold in our land and streams which has not been explored and prospected yet we do little about it. The attitude is certainly comparable to the proverbial ostrich who buries his head in the sand and refuses to look at his problems. We met nothing but negative reports and "do nothing" attitudes from our executive agencies and their administrators when we consider this subject.

This Committee reported a bill to the Senate in 1963 which had adverse reports from the Bureau of the Budget and the Department of the Interior. Naturally with such an attitude on the part of the Administration the bill did not become law. Many other bills to give incentives to American gold miners have been introduced and hearings have been held. They have invariably been opposed by the Executive Branch of the Government. The Administration has not considered this subject of sufficient importance to cooperate in attempting to get a bill passed or to offer an alternative.

We need a full scale study by members of the Senate Interior and Insular Affairs and Banking and Currency and Commerce Committees who are interested in and aware of our entire gold situation. It is a broad subject which should cover exploration, development and production, the world supply, our balance of payments and the uses of gold in domestic arts and sciences. We need to learn why some people in the Administration insist that gold as a domestically produced commodity is somehow inseparable from gold as an international criteria in currency exchange. Fifteen Senators have cosponsored Senate Resolution 83 to create such a select Senate committee. We should report it out without further delay.

The other bills under consideration, S. 2562 and S. 1377, will be an incentive to producers of gold and fully deserves our support. We should make every effort possible to increase gold production and control the depletion of our national debt reserves.

Thank you Mr. Chairman for the opportunity to make this statement.

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STATEMENT OF HON. HOWARD W. CANNON, A U.S. SENATOR FROM THE STATE OF NEVADA

Mr. Chairman and Members of the Subcommittee. I appreciate the opportunity to discuss gold legislation which is before your Subcommittee, and commend the Chairman and the Members on their initiative in this long-neglected area.

During my years in the Senate it has been made painfully clear on too many occasions that without regard to politics there has been little affirmative action in the field of mining in succeeding administrations. Unlike other segments of American industry, the federal government has not seen fit to extend a helping hand to the gold mining industry, nor to take cognizance of the rising costs which have made the present price of \$35.00 an ounce for gold, established during the depression of 1934, a ridiculously unrealistic price.

Labor, machinery, power, and all of the other ingredients which go into the production of gold have risen in price two or three times, or more, since the days of 1934. It is easy to see why this industry has almost had to shut down entirely in this country with the resulting precarious position for U.S. gold reserves.

It is not totally inconceivable to me that unless the helping hand of government is extended to the domestic gold industry, this historic and essential ore may go the way of silver, and this Subcommittee needs no reminder of the recent fate of silver in our monetary system.

Efforts have been made to double and triple the price of gold through legislative action, without result. It is plain that this radical step, however necessary, is not to be because of the near unanimous view of world financiers that such a move could lead to worldwide monetary upheavals.

The bill which I support, S. 2562, contemplates no such drastic action. Rather, it offers an incentive plan which takes into realistic view the costs of production and the general responsibility of the federal government toward the domestic

gold mining prices. The sole purpose of this measure is to increase gold production for the benefit of the entire nation, just as present public policy aids agriculture, shipping, aviation, and other industries. It provides for modest annual assistance payments for legitimate and capable operators, and sets up a commission, with all interested states participating, which will deal effectively with the revival of this necessary and vital industry.

The interest and the help of the Subcommittee in this regard is appreciated.

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STATEMENT OF HON. GEORGE MCGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman, I am pleased to be here today to support my bill, S. 2562, introduced September 24, 1965, which is termed "a bill to preserve the domestic gold mining industry and increase the domestic production of gold." At this point, I ask that my statement on this legislation, offered the day the bill was introduced which appeared in the Congressional Record on September 24, 1965, be reprinted in the Record of this hearing. It is attached and marked Exhibit A.

Permit me to call attention to the analogy of uranium. Most competent geologists claimed that there were no substantial uranium reserves in the Continental United States in the mid-Thirties. Yet, when a government program was launched, with attractive incentives and a realistic price, tremendous reserves of ore were discovered by individual prospectors and major mining companies. An attractive subsidy program for gold miners and companies could similarly motivate intensive exploration, resulting in a better balance in domestic produced gold for industrial, defense, and cosmetic requirements. Today, with consumptive demand on the increase, it is necessary to develop new sources of gold to lessen the strain placed on our monetary gold stocks. From 1955-59 the average net industrial consumption of gold per annum was 1,701,000 ounces. By 1964, it had risen to 4,801,000 ounces per annum as reported by the 1964 Minerals Year Book, published by the Bureau of Mines.

In introducing S. 2562, I observed that Canada and Australia pay gold subsidies while British Columbia has a 3-year tax moratorium on new mines. Tax advantages in Australia provide that gold companies are not required to pay income tax until they have recouped capital investment. When other nations recognize the need for concessions to the gold industry, why is it that we in the United States not only refuse to follow this example, but insist that the price level be kept at the mid-depression figure of \$35 per ounce?

The Nation's largest gold mine, The Homestake, operates in my home State of South Dakota. Though its profit sheets are dwindling each year, it is still responsible for an annual payroll in the Black Hills region of \$12,000,000. Dividends to resident stockholders and tax contributions to the State of South Dakota and county and local subdivisions of government amount to another \$4,000,000. Based on the economic maxim that a dollar turns over several times in commercial trade, it is grossly evident that Homestake's \$16,000,000 contributes to the economy of South Dakota. Should this old and historic industry be compelled to shut down because of high operating costs and low income, it would, indeed, be a damaging blow to my State.

On the other hand, while international monetary experts debate the niceties of a new type of international unit of exchange, which could conceivably be used to settle international trade balances, it is highly significant to me that European Nations, such as France, are shoring up their gold reserves by withdrawals from the United States. These withdrawals amounted to \$1.6 billion in 1965.

In times of world crisis, both Nations and people seek to acquire gold. Perhaps this is why practically all the world's production in 1965 went into hoarding, rather than national monetary stocks. I would say that it is about time for us to use every reasonable device to protect our own gold stocks and I feel that the enactment of S. 2562 is a step in this direction, as well as a positive step for the protection of our mining industries.

GOLD MINES ASSISTANCE ACT OF 1965

Mr. MCGOVERN. Mr. President, on behalf of myself and Senators BIBLE, CANNON, DOMINICK, METCALF, MONTOYA, and MUNDT, I introduce, for appropriate reference, a bill providing for financial assistance payments to

present and potential domestic gold producers based upon cost of production experience.

The purpose of this measure is to stabilize and increase the life of existing gold properties, provide financial inducement sufficiently attractive to reopen our dormant gold mines, and stimulate an aggressive search for new gold ore reserves. I believe the time has arrived for the Congress to recognize the fact that due to almost constant escalating costs of production our once thriving domestic gold industry is facing extinction. This segment of the mining industry, just prior to World War II, supplied jobs to thousands of miners in the Western States and provided economic stability for a number of Western mining towns. In 1940, American gold mines produced nearly 5 million ounces of gold, exclusive of the Philippines. Today, our annual production in the United States has dropped to approximately 1.5 million ounces of which 40 percent is produced by one mine, the Homestake, located in my State of South Dakota. A few other mining properties are devoted exclusively to mining gold, but most of the remainder of our domestic production is derived as a byproduct from the copper mines of the Nation.

I need scarcely remind my colleagues of our dwindling silver supply since the Senate was so recently confronted with the necessity of passing legislation to resolve our critical coinage problem arising from our fast dwindling supply of silver. Silver production did not keep pace with the increasing demands for the use of this precious metal for industrial and coinage requirements, with the result that the Congress had to take emergency remedial action.

It would be tragic indeed were this Congress to ignore the storm signals with respect to our fast disappearing gold mines. The Members of this body are well aware that the flight of gold from our shores has reduced our gold reserves some 23 billion in the last 8 years. The solution to our balance of payment deficit is a matter of vital importance to the economic well-being of the people of the United States.

Treasury officials agree that they would like to see an increase in our U.S. gold holdings and profess sympathy for the plight of our gold miners. However, in the past, they have objected to legislation providing incentive payments to domestic gold producers on the ground that such action might be interpreted by foreign central bankers as an indication that the Federal Government is tampering with the monetary price of gold. If this appraisal, be correct, I believe this fear is psychological rather than realistic. The Gold Mines Assistance Act, which I am introducing, is purely domestic legislation to provide financial assistance payments to domestic producers based upon a domestic cost of production formula. It does not, in any manner, seek to change the monetary price of gold.

To allay both Treasury fears and foreign apprehension, the bill provides that it is the intent of the Congress that the Act shall have no relation to the monetary price for gold paid by the Treasury of the United States.

For current domestic gold producers, including Homestake, who have demonstrated a capability of remaining in operation despite the ravages of increased production costs, this bill provides very modest financial assistance payments. For example, in the case of Homestake, the subsidy payments would amount to somewhere between 1½ to 2 percent of invested capital, or, together with net earnings, 7 percent on invested capital.

In the case of dormant gold mines, or as a stimulus to the search for new gold ore reserves, my bill provides much more generous payments. From a realistic standpoint, financial assistance payments must be provided which will definitely encourage reopening our closed gold properties and lend real incentives to a search for new gold mines. These incentives are provided in section 3(b) of the proposed legislation. It is logical to assume with the realistic incentives provided in my bill that domestic gold production will attain a rate as high, and quite probably higher, than the situation which existed in 1940, particularly in view of improved techniques in discovery methods in the past 20 years.

The Canadian Government has paid a cost of production bonus to its gold mines since 1948. British Columbia has gone one step further and adopted a statute which provides for a 3-year tax exemption for income derived from new mines producing any minerals except clay, shale, and stone quarries. Australia pays a subsidy to its gold producers. Foreign banking interests have not exhibited any concern over the Canadian or Australian gold subsidies which relate to the Internal affairs of those two countries.

Under this bill, dormant properties reopened and new mines would be paid \$35

per ounce for their gold when sold to the U.S. Treasury, but, in addition, would receive financial assistance payments made under the direction of the Gold Mines Assistance Commission amounting to 125 percent of their total gold bullion receipts produced from such properties for the year preceding the date of their application.

The Consumers' Price Index, U.S. Department of Labor, has increased by 126 percent since January 1, 1940. Provision is made in the bill for constructive cost determination of the differential between 1939 and the date of application which must show 125 percent increase to enable the applicant to be eligible for subsidy payments. There should be no difficulty in applying the 125 percent financial assistance payment to the last year's total gold bullion receipts because any dormant mines with known substantial marginal ores, or new properties with demonstrable valuable ore reserves, should have no difficulty with financing in order to permit them to open and operate for 1 year to provide a base as to which the subsidy formula will apply.

Furthermore, taking a long-term view, those who are interested in adding to our national gold reserve should not overlook the fact that under this bill existing gold producers will be enabled to mine marginal ores which are currently being lost forever. In short, this bill will aid greater utilization of our natural resources by stimulating extraction of marginal gold ores not now being mined.

I believe this legislation is in the national interest particularly in view of the excessive gold drain of our reserves. I have no doubt that the mining industry will be able to demonstrate that this bill provides the necessary incentives to reactivate the gold mining districts of the West. I hope that hearings will be held on this measure by the Senate Interior and Insular Affairs Committee early in 1966, and trust that as a result of such hearings the Treasury Department will reappraise its position with reference to remedial legislation for our domestic gold industry.

The PRESIDING OFFICER (Mr. BASS in the chair). The bill will be received and appropriately referred.

The bill (S. 2562) to preserve the domestic gold mining industry and to increase the domestic production of gold, introduced by Mr. McGOVERN (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Interior and Insular Affairs.

Mr. McGOVERN subsequently said: Mr. President, I ask unanimous consent that the bill I introduced earlier today to provide assistance to the gold-mining industry be permitted to lie at the desk for additional sponsors for 5 days.

The PRESIDING OFFICER. Without objection, it is so ordered.

Senator GRUENING. There is also a statement from Congressman Johnson of California.

(The statement referred to follows:)

STATEMENT OF HON. HAROLD T. "BIZZ" JOHNSON, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, a recent issue of the American Gold News carried a headline: "Without Gold We Fold."

In as few words as possible, this sums up my views on the present untenable situation this nation finds itself in as it relates to the supplies of gold. We just don't have enough and under present conditions we will never be able to produce enough from our domestic mines to meet our needs.

We are, therefore, dependent upon imports and the steadily declining gold reserves to meet our daily needs. Unless we have a dramatic change of policy, this is the future we will face. What happens when our gold reserves are gone? What happens when we are totally dependent upon imported gold for our space effort, our defense needs, our industry and commerce? What happens when we find that we not only are dependent upon Communist bloc nations, plus the Union of South Africa, for our gold supply?

It is not a pretty prospect.

We, who represent the gold-producing areas of the nation, are especially concerned about the prospect for we feel confident that there is available enough gold within our own land to meet these needs if we only can make the mining of gold profitable in some manner. However, costs have gone up steadily since the

depths of the depression. The price of gold has remained static. Is there one among us who would be willing to work or sell a product for the same price we did in 1934?

This is the situation we have in the gold mining industry. The price of gold was increased from \$20.67 per ounce to the present \$35 per ounce on January 31, 1934. In the years that followed, production of gold reached all time records, even though profit margins became so narrow that only the most efficient operations survived. But gold mining became a casualty of World War II. Because of the war effort, needed equipment, supplies and manpower were denied the operators. Mines closed and remained idle for two and a half years. Equipment deteriorated. Tunnels watered up. Employees scattered to the four winds.

After the war, higher equipment and supply prices, higher wages and the basic problem of finding qualified miners who had not entered other fields complicated tremendously the problem of reopening the mines. In spite of this, and the continuation of depression prices for newly-mined gold, the industry made a modest post-war recovery. Production peaked at 2.1 million ounces in 1947—less than half the production in 1940 when domestic mines yielded 4.8 million ounces. From 1947, production tumbled until hitting a low of 1.4 million ounces in 1963 and 1964. A slight upturn has been recorded for 1965, but this is due entirely to one operation, that of the Carlin Gold Mining Company, a subsidiary of the Newmont Mining Corporation, which has constructed a major plant near Elko, Nevada, to handle an ore reserve estimated at 7 million tons.

Experts in the Bureau of Mines tell me that this operation should continue for some time, but it is expected that the national production again will start its downward trend as other mine closings offset this one huge operation.

What is happening elsewhere in the world? At the same time this nation's production is going down, world production continues to break new records. Here is a comparison:

Year	U.S. production	World production
1955-59	1,769,000	33,000,000
Average:		
1960	1,667,000	38,200,000
1961	1,548,000	39,700,000
1962	1,543,000	42,300,000
1963	1,454,000	44,200,000
1964	1,456,000	46,100,000
1965	1,684,000	47,000,000

A comparison of the statistics shows quite readily that the United States is falling way behind in the production of gold. Whereas we were once first in the world's production of gold we are now fourth. Government assistance can be attributed to much of the increase in gold production throughout the world. Canada, our neighbor to the north which is the third ranking producer of gold, supports its gold mining industry with a subsidy program. The Soviet Union is the second ranking producer of gold. The state owned Soviet gold mining industry is spending from \$100 to \$165 an ounce, according to differing estimates, to mine gold which has a value of \$35 an ounce on the world market. World leader in the production of gold is the Union of South Africa, which produces nearly two-thirds of the total world production. While this nation does not now subsidize the gold mining industry, it does provide a measure of tax relief to the older operating mines. It furthermore can compete favorably on the world market because of the relatively low labor and other costs.

The United States ranks a poor fourth in the world standings as far as gold production is concerned, yet it is the world's leading industrial consumer of gold. During the last half of the decade of the 1950's, the average consumption in this nation was about 1,700,000 ounces. By 1962 consumption had skyrocketed to 3,576,000 ounces. In 1964 consumption was up to 4,800,000 and while the 1965 figures are not available, it is anticipated that they will reflect a similar increase.

What is the nature of this increased industrial consumption? For the most part it is industrial, with heavy emphasis on the electronic and other fields associated closely with space, science and national defense. Let me give you a quick resume of some of the things that are taking place in the consumption of gold:

Investigators at the University of California have shown that transmission of infrared and ultraviolet rays can be cut substantially without reducing visibility by treating glass with a gold film. The University of Florida has demonstrated that high strength alloy steels can be made less brittle through gold plating. Mirror-bright gold finishes protect delicate electronic instruments in ballistic missiles and space vehicles. Brackets, covers and surfaces in contact with outer-space are gold coated to withstand the corrosive atmosphere and to reflect the intense heat away from the instruments. Gold coatings increase the efficiency of condensers used in distillation of sea water and may be used in compact air conditioners, dehumidifiers, steam power plants, and water recovery systems for spaceships. Gold plated bearings give superior performance in small high speed motors, especially if they are run in silver plated raceways. Gold leaf is used in surgery to patch punctured blood vessels and other defects in body tissues including the brain.

You can see that we are truly in a golden age, but we are not producing that gold ourselves. We are dependent upon other nations to produce and, to a large degree, becoming more and more dependent upon other nations to haul our gold supplies to our shores in ships flying flags other than American. Need I add more than that the Soviet Union is building the world's largest merchant fleet in an effort to dominate the commercial sea lanes of the world. If there is such a demand for this metal, why is production steadily decreasing? There is only one answer—the artificial price of gold, held at \$35 per ounce since 1934 during a period when the cost of producing gold has increased more than 300 per cent. No industry faced with fixed costs and rising prices can survive. Can the nation survive without the gold? It would seem not. Not commercially or industrially. Not scientifically.

Mr. Chairman, I have avoided until now the monetary aspects of the problem, because this has been the bugaboo of the gold industry. Every time we talk about gold prices, or gold subsidies, or revitalizing the gold industry in any way we run up against a concern that any such proposal would interfere with the strength of the dollar. Today, our gold reserves continue to decline. In 1953, we had \$22 billions in our Treasury gold stock. Five years later it was down to \$20 billions. In 1960 it was down to \$17 billions. In 1965 it was down to less than \$15 billions. Now, on April 26th of this year, our Treasury stocks have dropped to \$13,631,021,010. The trend continues to go down, down, and down. What will the impact upon our dollar value be if we continue this trend? The time for action has arrived. If we cannot enact a straight subsidy, then we should proceed on some type of program to revitalize our gold mining industry.

As I said in the beginning: Without Gold, We Fold.

Thank you.

Senator GRUENING. Now, we have with us, among the very distinguished witnesses, Senator Karl Mundt, of South Dakota. Senator Mundt has fought valiantly in behalf of this legislation for many years, as many of us have.

Senator Mundt, as always, I know that your testimony will be of great value. Will you proceed?

#### STATEMENT OF HON. KARL E. MUNDT, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator MUNDT. Thank you, Mr. Chairman. May I start by saying I am very much impressed by the opening statement which the chairman made. I salute him on his energetic and imaginative approach to these problems of gold. I salute him especially because he is a bit unlike the administration, which simply throws up its hands and says, "We do not have gold enough. We have it in the ground. We do not know how to get it out."

They do not know how to stimulate the mining industry. I think the chairman was exactly correct that, if we pursue this trail and other trails, we will find answers to the problem. I concur com-

pletely with the Senator's position that this is not a problem which is impossible to solve.

I am indeed happy to avail myself of this opportunity to appear before this subcommittee in support of S. 2562, the Gold Mines Assistance Act of 1965, which was introduced by my distinguished colleague, Senator George McGovern. In South Dakota, we take pride in the fact that we are still the leading gold-producing State. We have only one gold mine operating in South Dakota, but that is the largest gold producer in the Western Hemisphere, the famous Homestake Mine, which is currently producing approximately 40 percent of the gold mined every year in the United States. During the depression and drought years of the mid-1930's, large numbers of western South Dakota ranchers and farmers, who had been wiped out, found employment at Homestake. Many of these people have stayed with Homestake throughout their working years and a considerable number eventually returned to their farms.

It was a common practice for men to work in the winter at Homestake and in the spring and summer to return to agricultural pursuits.

Homestake has been a consistent contributor to five denominational colleges in my State and, during the period of its greatest prosperity prior to World War II, Homestake contributed quite sizable annual gifts to these institutions. I vividly recall also that a few years back, when a blizzard of great ferocity struck the western plains of South Dakota, Homestake donated men and heavy equipment to open up county roads so that food and medical supplies could be distributed to marooned ranchers, since the State at that time did not have sufficient equipment to meet the emergency. Whenever disaster strikes in the Black Hills, Homestake volunteers its services. In past years Homestake has contributed sizable sums for hospitals in some of our smaller South Dakota communities where such facilities were badly needed.

The company contributes each year to churches in Lead and surrounding communities and has established a number of scholarships. It has adopted a policy of cutting its own timberlands on a sustained yield basis similar to U.S. Forest Service standards. Homestake maintains excellent employee relations. It installed a pension system long before the rest of the mining industry established such programs. For over 50 years, Homestake has provided free medical, surgical, and hospital care for all its employees and their dependents.

I cite these examples, Mr. Chairman, merely to illustrate that Homestake has demonstrated over the years a high degree of civic responsibility.

I am gravely concerned over the possibility that the impact of continued increases in cost of production may shorten the life of the operation and force it to shut down long before its very considerable ore reserves have been exhausted. I am concerned over the possible occurrence of such a tragic event because it would have a most damaging effects upon the economy of western South Dakota. Every year, millions of Homestake's dollars flow into the marts of trade and strengthen the economy of the region in the form of funds distributed for payroll, local taxes, State sales and severance taxes, supplies purchased within the State and dividends paid to residents of South Dakota.

I know that Homestake net earnings from its gold operations have been declining steadily for the past few years. I know that its cost of production, since 1940, has increased by staggering amounts. To cite but a few examples: annual payroll for \$4.5 million to nearly \$12 million, local taxes from \$337,000 to over \$1 million, employee benefits from \$189,000 to over \$700,000, supplies and equipment from \$1,230,000 to well over \$5 million, all these figures being on a per annum basis.

Homestake management has displayed considerable ingenuity and aggressiveness in devising new mining methods, installing new equipment and cutting costs, otherwise the property would not be operational today. However, as a South Dakota Senator vitally interested in the prolongation of the life of one of the few industrial concerns within my State, speaking as such a representative, I scarcely need a computer to know the inevitable result of continued inflation working against a fixed-price product.

I think the members of this body should view with alarm the philosophy of those who seek to demonetize gold and decry its value. Certainly foreign interests holding claims against our reserves regard gold with traditional respect; witness the withdrawal of \$1.6 billion from our national gold stocks in 1965 alone.

While the press has been quick to criticize De Gaullist France for its raids on our Fort Knox gold hoard, rather significantly, withdrawals in substantial amounts have been made by other continental nations including Italy, Spain, Belgium, Switzerland, the Netherlands, and Austria.

Another circumstance not to be overlooked in the area of international financial affairs is the fact that virtually every ounce of 1965 gold production went into industrial uses and private hoarding rather than national monetary stocks. This avaricious acquisition of gold historically occurs in times of crisis and uncertainty but its striking increase in the past year demonstrates to me that monetary experts have not yet succeeded in finding a substitute for gold, when confidence in paper monetary units declines.

I believe we have before us an excellent opportunity to provide critically needed assistance to our declining domestic gold industry, which should prolong the life of existing gold mines, encourage the reopening of closed properties, and stimulate intensive exploration for new ore.

Therefore, I urge favorable consideration of S. 2562.

SENATOR GRUENING. Thank you very much, Senator Mundt, for a very effective and helpful statement.

I am wondering whether you would not share the view of the chairman that instead of criticizing foreign countries for withdrawing gold, which is, after all, their business, the United States should pursue a policy of its own and start developing our gold resources and doing something positive?

SENATOR MUNDT. I quite agree with the Chairman. It is an understandable exercise of prudence on the part of foreign countries when, for reasons of domestic need or because of skepticism about the fiscal policies of the host country in which the gold is deposited, they begin pulling some of it back for their own protection. I think that is prob-

ably a manifestation of sound leadership on their part. But I can not understand an administration, which encourages tourists to spend nothing abroad and makes it impossible for them to spend very much, which goes to great extremes to change the economy and the trade relationships of our land with others because of our difficulty of maintaining our gold supplies, turning a cold shoulder to every suggestion which has come up from Congress, and as far as I know, any suggestion which has come up from anywhere, to increase the production of domestic gold. It is a well-known fact it could be increased. We know where it is. It is simply a matter of giving it a fair price resulting in a fair rate of production. It is almost impossible, except in unusual cases.

I suspect the gold mining industry is the only example of an industry which sells its product at the price established in 1933 and has to pay the costs of production existing in this sky-rocketing, inflationary economy of 1966. You do not find it in automobiles; you do not find it in clothing or in shoes. I do not think you find it anywhere. But by Government policy, gold miners are compelled to sell what they produce at the same price at which they sold it over 30 years ago, and the costs of production have staircased up and up and they are still going up at an alarming rate.

So one of the great problems the country faces now is the danger of inflation. Under those circumstances, to discourage every suggestion for increasing the production of gold rather than to encourage it is to me a policy which I cannot understand any more than the chairman is able to define it.

Senator GRUENING. As the Senator points out and as others have pointed out, this is a unique example of discrimination in our free enterprise system against one industry. No other industry in our vast and varied economy has suffered such discrimination as has gold.

Senator MUNDT. The Senator is exactly right.

Senator GRUENING. Moreover, there are many examples where other activities, such as agriculture, shipbuilding, and so forth, do receive Government subsidies. Certain aspects of our mining industry, zinc and lead, receive subsidies. So it is almost impossible to understand why gold, which is now an important industrial metal in addition to its other uses, in medicine and dentistry, space exploration, and elsewhere, should not receive this assistance.

Senator MUNDT. It almost looks as though the administration has declared war on gold, for no reason that I can see.

Senator GRUENING. I will confess that I welcome the action of these foreign countries in withdrawing its gold because I would hope it might help galvanize the administration to get off its duff and do something. These nations do understand gold, do understand its importance. Why should they not withdraw it? Maybe that will give a little stimulus to the people in the Treasury Department to wake up, and the Interior Department, which has the responsibility in gold and has never exercised it and in these hearings, brings in an adverse report to the proposed legislation.

Senator MUNDT. I agree with the chairman, because he, no more than the senior Senator from South Dakota, is not married to any particular solution to the problem nor to any particular answer. We

have tossed them a barrage of ideas and they always come up with a barrage of negative answers, twice as large as our suggestions. I am afraid that this negative policy, this do-nothing policy which they are following some day will get us into serious trouble. I am glad the Senator has reopened these hearings and we are exploring the possibilities of making some kind of progress toward the stimulation of gold production.

Senator GRUENING. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Senator, you have made a very fine statement here in which you document the troubles which beset the gold mining industry.

Is it true that gold has been discriminated against, as you have stated, more than any other metal?

Senator MUNDT. I think not only any other metal, Senator Jordan, but so far as I know, gold has been discriminated against to a greater degree than any other raw material.

Senator JORDAN. Than any other commodity?

Senator MUNDT. Any other commodity, manufactured or raw material.

Senator JORDAN. I have a statement from a miner in my State, and he said, "Copper, as we all know, is in a price situation equivalent to \$100 gold."

Now, this is a revealing statement to me, and I ask you if you would agree that gold is so far depreciated in its price that it could be that far off of parity with other metals, particularly copper?

Senator MUNDT. I would not be able to sit here and calculate like a computer machine whether that is the exact figure or not, but I am sure it is in that area of likelihood.

Senator JORDAN. The point is that other metals have pretty much followed the rising prices. As rising costs go up, the selling prices of other metals have been allowed to go up and seek their levels in the marketplace. So we do find a wide disparity between the price of precious metal, gold and silver, and the price of baser metals, which have been allowed a free market without any restraints or any restrictions by the Government.

Senator MUNDT. That is exactly right. When you fix the price of a product at a 1933 level and just keep on selling it for 33 years at the price that you received for it in 1933, in the kind of inflationary times in which we have been living generally, and more especially now, it is sometimes amazing to me that the gold producers can produce any gold at all.

After all, private enterprise has to operate at least at a break-even point and should operate at something of a profit. You cannot even buy the same package of chewing gum now for 5 cents that you bought in 1933. It looks the same, it has the same label on it, but the sticks are only half as big. So how in the world can you do this with gold?

Senator JORDAN. Of course, in my State, gold is just about a thing of the past, except as it is captured in processing other metals such as lead and zinc. No one is looking for gold any more. There is no incentive to look for gold. People cannot pay the costs of the mining or prospecting for gold any more. That is a certainty.

Thank you very much.

Senator GRUENING. Senator Allott?

Senator ALLOTT. I have no questions, thank you.

Senator GRUENING. We have been joined by the distinguished senior Senator from Colorado, who has been so helpful in the past in behalf of all legislation aiming to rectify the chronic injustice with which the industry has been inflicted.

Thank you very much, Senator Mundt. We appreciate your coming and giving us this fine statement.

Senator MUNDT. Thank you, Mr. Chairman. Power to your collective hands and I hope you will not quit the crusades until you can tack the banner of victory to your standards.

Senator GRUENING. As the Senator knows, there is some limit to what the legislative branch can do, but maybe there will be a revolt and something may happen.

Senator MUNDT. Thank you.

Senator GRUENING. Thank you very much.

We are fortunate in having with us the Honorable Grant Sawyer, Governor of Nevada.

The senior Senator from Nevada, Senator Alan Bible, a member of this committee who planned to be here, was obliged to attend a funeral of a colleague in Michigan, so is unable to be here. He planned to present the Governor of Nevada, but you will understand why he could not be present.

Governor Sawyer, will you be kind enough to come forward and give your testimony in whatever way you desire?

#### STATEMENT OF HON. GRANT SAWYER, GOVERNOR OF THE STATE OF NEVADA

Governor SAWYER. Thank you, Mr. Chairman, Senators Jordan and Allott. I am delighted to have the opportunity to appear before this distinguished subcommittee.

I am Grant Sawyer, Governor of the State of Nevada. I am privileged to appear before your subcommittee in support of the passage of S. 2562, the Gold Mines Assistance Act of 1965, not only because I believe this legislation is in the national interest, but in the best interests of the people of Nevada.

From early pioneer days, Nevada has been one of the great mining States of the Union. We are justly proud of our title, "The Silver State." For many decades prior to the advent of tourism and recreational activity, the mining of the precious metals, gold and silver, was the dominant factor in supporting the economy of my State. As a matter of fact, the constitution of the State of Nevada proclaims mining as the paramount industry in Nevada.

While Nevada has been primarily noted for its silver production, we have also produced over the years substantial amounts of gold. For example, in 1930, prior to the increase in the price of gold to \$35 an ounce, Nevada produced 140,000 ounces which rose to 380,000 in the year 1940, stimulated by the price. Following the deadening effect of the World War II shutdown of gold mines in the United States under WPB Order L-208, drastic curtailment of gold production occurred throughout the United States with Nevada being no exception. By 1950, our production dropped to a rate of 170,000

ounces per annum; in the period 1954-58, we averaged approximately 80,000 ounces per year and by 1961, had declined to a low of 54,000 ounces. The trend has now reversed itself with production on the upswing and a reported 229,000 ounces from Nevada for the year 1965.

Nevada's increased production of gold is attributed to two factors; after being shut down, the Getchell Mine reopened following installation of some new mill facilities and our new gold discovery, the Carline Mine, recently became operational. We, in Nevada, are indeed gratified to know that within our borders we will now have the Nation's second gold producer, the Carlin Mine, except for larger copper operations producing byproduct gold. We, who come from western mining States, recognize only too clearly the almost insuperable obstacles which confront owners of gold mining properties.

Mr. Chairman, the western Governors conference just completed its meeting last week in Nevada and as usual, we devoted much of our time and attention to this gold problem and passed a resolution which we intend to forward to your committee in support of the legislation which you are now considering now.

Just prior to World War II, thousands of skilled hardrock miners were employed in a number of gold camps in the West and the economy of many of these communities depended in large part upon the distribution of cash proceeds from these mines in the form of payrolls, supplies purchased, and taxes locally paid. Rapid escalation of costs of production have closed, as we know, all but a handful of underground lode mines and placer operations. In terms of 1940, wages have more than trebled, the price of dynamite doubled, the cost of steel products used trebled. Little wonder that the operators have given up to the ghosts that populate our famed gold camp.

I am not here today, nor would I presume, to discuss international monetary affairs, the balance-of-payments problem, or the complexities of the problem facing the monetary experts in their search for some new medium of international exchange which, together with gold, would provide the financial reserves to enable the free nations of the world to carry on trade with one another. I have read numerous magazine and newspaper articles on this subject in recent months. Apparently this is a highly controversial area and the problem is not apt to be resolved in the immediate future. It is apparent, however, that gold will continue to be important in the affairs of men and nations for some time to come. Several successive administrations have shown concern over the accelerated outflow of gold from the United States. However, since any substantial increase in our domestic gold production would appear desirable, I believe serious consideration should be given proposals to provide financial assistance to enable operators to open presently inoperable gold properties.

It seems to me that S. 2562 provides a reasonable and realistic method of rehabilitating the Nation's gold mines. I am aware there are several somewhat similar type bills before this subcommittee for its consideration. I prefer S. 2562, and would recommend favorable action by this subcommittee on this particular measure because I deem it essential that any legislation to be effective must be so specific by its terms that owners who seek to reopen their gold properties will be able to determine with some degree of exactitude the amount of financial assistance payments which they would receive. Considerable capital

will be required to reopen shutdown gold properties. There is nothing so forlorn as an abandoned mine.

Purchase of new mine and mill equipment and machinery, de-watering operations, retimbering, recruitment of technical staffs and skilled miners together with a host of other problems will of course involve considerable expense. While resourcefulness, initiative, and a gambling instinct have been the traditional attributes of the successful mining operators of the West, I think it must be recognized that relief legislation will not induce operators to enter the always hazardous business of gold mining unless they have every definite assurance that they will receive substantial financial assistance for a fixed period of time.

It seems to me that the measure before you could be very considerably strengthened to accomplish its objectives by several modifications. I notice that the provisions applicable to dormant gold mines, or to operations on newly discovered ore bodies, provide subsidy payments for a period of only 5 years, after which such mine operators would receive the more modest financial assistance payments of 5 percent of gross bullion receipts for the preceding year. I do not think this is a sufficiently long period of time to warrant the expenditure of considerable capital by owners in reopening their properties. I believe this period should be extended to 10 years, or possibly even 15, and I think the assistance payments should be 6 rather than 5 percent.

Further, in reading the proposed bill, I note that current gold producers, including the famous Homestake in South Dakota, would receive very modest payments of 5 percent of their last year's gross bullion receipts, which amounts would be very considerably less than that paid to owners or operators of reopened lode mines or placers. While I appreciate the fact that such mines are still able to operate at a profit and the modest payment is provided to starve off the threat of shutdowns in the immediate future, nevertheless, since the purpose of this measure is to substantially increase domestic gold production, it would seem to me appropriate that, in addition to the modest payments to which I have referred, another section could be added to this bill providing additional substantial financial assistance payments to which major mining companies would be entitled. I believe such additional payments should be conditioned upon agreement by mining companies to expend such funds solely in exploration for new gold ore reserves. Modern techniques for the discovery of deep ore bodies are decidedly costly. Larger companies who have had experience in mining the precious metals in past years with their trained staffs of geologists, technicians, metallurgists, et cetera, certainly should be in the best position to find new gold ore reserves.

Since acquisition of gold to increase our national reserve is desirable, it would seem without argument to be the exercise of sound judgment to provide sufficiently attractive incentives to stimulate massive exploration. Even without such incentives the Carlin Mine in Nevada has become a significant gold producer. How many more Carlins lie undeveloped in the Western States?

In closing, I may say that I am an optimist with reference to the potential of the mining industry. I believe that mining will continue to play an important role in the economy of our Nation and my State.

I witnessed the opening of a number of sound mining projects in my State just in the last couple of years. For example, the great copper deposit of Anaconda at Yerington, Duval at Battle Mountain, and the gold operation at Carlin. I know that under the stimulus of S. 2562, we may well see the discovery of other important mines not only in Nevada, but in other Western States to increment our national gold stocks.

Mr. Chairman, I sincerely hope that you and this committee will strike a blow for justice and see that this great omission is rectified. I appreciate very much the opportunity of appearing before you.

Senator GRUENING. Thank you very much, Governor Sawyer, for your very helpful testimony. We welcome your particular suggestions with regard to this legislation. When it goes before the subcommittee for executive action, those suggestions will certainly be borne in mind.

Senator Jordan?

Senator JORDAN. Thanks for a good statement, Governor. Your specific recommendation is to extend the period of time beyond the 5 years provided in the bill?

Governor SAWYER. Yes, it is, sir.

Senator JORDAN. To attract risk capital to go in and do the exploration if necessary to make new discoveries?

Governor SAWYER. Yes, the basis of my proposal is that considerable amounts of risk capital will be necessary to reopen, and it is risk capital. We therefore should provide a sufficient base which will attract such capital. It seems to me that 5 years is not enough.

Senator JORDAN. That is a good point, thank you.

Senator GRUENING. Senator Allott?

Senator ALLOTT. I have no questions, Governor. I do want to express my appreciation to you for being here, for your very constructive statement.

Governor SAWYER. Thank you, sir.

Senator GRUENING. We have the Honorable J. Cordell Moore, Assistant Secretary of the Interior for Mineral Resources, accompanied by Charles W. Merrill and Joseph C. McCaskill.

**STATEMENT OF J. CORDELL MOORE, ASSISTANT SECRETARY OF THE INTERIOR FOR MINERAL RESOURCES; ACCOMPANIED BY JOSEPH C. McCASKILL, STAFF ASSISTANT; JULIAN W. FEISS, STAFF GEOLOGIST; CHARLES W. MERRILL, CHIEF, DIVISION OF MINERALS, BUREAU OF MINES; AND HAROLD KIRKEMO, U.S. GEOLOGICAL SURVEY**

Senator GRUENING. Mr. Moore, we are very happy to have you here. I think this is the first time you have appeared before this subcommittee on this subject, and we welcome you, even though the Department has made an adverse report on this legislation, to which I take it—which adverse report, I take it, you have no direct responsibility for.

Mr. MOORE. Mr. Chairman, it is a pleasure to be here today before this committee. I am accompanied by, on my right, Mr. Joseph McCaskill, a member of my staff, and on my left, by Mr. Charles Merrill,

who is the Chief, Division of Minerals, Bureau of Mines, Mr. Julian Feiss, staff geologist on my staff, and Mr. Harold Kirkemo, geologist with the U.S. Geological Survey.

I appreciate your invitation to be here today to discuss S. 2562 and S. 1377, the two related bills having to do with gold which are now before this committee.

S. 2562 seeks to maintain the rate of gold production from operating mines, to stimulate the reopening of properties closed prior to January 1, 1965, and to encourage further exploration and development. To accomplish this the measure provides payments to each eligible producer at the rate of 5 percent of the value of gold produced, with further increases of 3.75 percent for each five-point increase in the Consumers' Price Index. In addition, the bill makes special provision for payments to new producers.

The other bill, S. 1377, would direct the Secretary of the Interior to set up a program of differential payments to operators, equal to the difference between cost of operations during the fourth quarter of 1939 and costs in the fourth quarter of 1964.

These bills, if enacted, would provide incentive for additional gold production. With payments provided commensurate with increased costs of production, not only would some mines be reopened, and possibly some new mines developed, but considerable increases in revenue would be provided to presently producing mines.

It is the position of the administration, however, that such payments might establish a double standard for the price of gold, implying a price other than the official one of \$35 per ounce. While we are not monetary experts, we are in accord with and fully support this position. The enactment of legislation of this character would imply a second price for gold, and might disturb the fixed-price relationship between the dollar and gold which is a foundation stone of U.S. monetary policy.

At the same time we believe that, within the restraints imposed by a sound monetary policy, the Department of the Interior, through existing and projected programs, is providing and will continue to provide important encouragement to gold mining.

Although gold is primarily a monetary metal, its use in the arts and in industry has shown a continuing rise. During the 5-year period 1960 through 1964, the average annual consumption of gold by industry and the arts was 3.1 million ounces. The 1964 consumption was 4.8 million ounces—a record up to that time.

About three-fourths of the gold consumed in industry is for jewelry, artistic, and dental uses; the remainder is used in electrical and electronic components, and in defense, aerospace, and other industrial equipment. These defense-related uses include coatings on space vehicles and jet aircraft components to control heat transfer. Gold alloys give superior performance in electronic communications and control equipment such as transistors, diodes, rectifiers, microwave vacuum tubes, printed circuitry and computer components.

While industrial demand has been growing, domestic mine production of gold has failed to keep pace and has been able to supply less than half of this demand. The balance has come from Treasury stocks.

You probably will recall that in 1940, aided by the stimulus of byproduct gold from defense-expanded base metal mining, annual mine production of gold in the United States reached a peak of nearly 5 million ounces.

It was after that year that a decline set in, due primarily to the demands of the defense period, and then of war itself after Pearl Harbor. In October of 1942, War Production Board Order L-208 was issued, with the resultant closing down of most gold mines, and output fell to a low of less than 1 million ounces in 1945. In that same year, L-208 was rescinded and gold production began to turn upward, despite the fact that many mines did not reopen.

In 1947, gold output again exceeded 2 million ounces; and by 1950 production had recovered sufficiently to reach about one-half its pre-war level.

Immediately thereafter, however, a new receding trend set in, and in the years following 1950, output continued in a slow decline, reaching a low of about 1.5 million ounces in 1964. In 1965 a new moderate upturn was experienced; this was largely due to the beginning of production, at midyear, at the large Carlin gold mine in Nevada.

Our Department, Mr. Chairman, has been acutely conscious of this growing gap between industrial demand and new supply of gold and has been accelerating programs designed to increase mine output. Perhaps the most spectacular part of this program is the suggesting of target areas for private enterprise to explore. This was the way the new Carlin mine in Nevada got started.

The Carlin mine is different from the usual idea of what a gold mine should be—it is neither a lode mine nor a placer. It is an open pit mine. The gold in small quantities is disseminated throughout the rock in much the same manner as a porphyry copper deposit.

The Survey is pointing up geologic investigations and mapping in promising mineralized districts in order to suggest other targets for private exploration.

The recent discovery of a major silver deposit at Creede, Colo., and a large lead, zinc, silver, and gold deposit at East Tintic, Utah, have been credited to this type of work by the Geological Survey.

The Bureau of Mines is presently completing a comprehensive study of the Nation's gold potential. This study was begun in 1963, and the results will be published before the end of this year. Encompassed in the study are engineering and economic factors relating to the cost of producing gold from currently profitable, as well as from economically submarginal deposits. The basic information compiled by this study will permit us to make more meaningful estimates of reserves and potential production, and we hope to enable the gold-mining industry to take greater advantage of improved technology, automation, and skilled manpower.

Another contribution by the Bureau of Mines has been the development of new techniques for sampling and evaluating low-grade deposits which, in conjunction with related mining methods and metallurgical studies, may demonstrate to the mining industry the economic feasibility of developing certain deposits by the application of open cast or block caving methods of mining.

The Survey has also been working on new instruments and techniques. For example a mobile spectrographic laboratory, developed

by the Survey, makes possible simultaneous determination of gold, silver, and platinum in samples that run as low as only a few cents per ton of rock. A most interesting silver "snooper" using electron activation is now in use and one for gold is being developed. A mercury "sniffer" capable of detecting very minute quantities of mercury in soils and rocks is a valuable technique that may give a clue to potential deposits of gold and silver nearby. I have experts with me today who will be pleased to go into detail on these new fruits of technology.

These new techniques are successfully leading to recognition of gold and silver-bearing rock which earlier techniques were unable to do, and they may make mineral exploration activity less costly and time-consuming, as well as more effective.

In addition to the programs of the Survey and Bureau of Mines, I should like to mention the operations of the Office of Minerals Exploration. You will recall that last July 1, Secretary Udall removed that office from its separate status within the Department and placed it within the Geological Survey. Its activities are continuing, and interest in its loan program remains high. Since July 1961, when gold was added to the list of eligible minerals, the Office of Minerals Exploration has executed 41 contracts for work either solely for gold or involving gold in association with other minerals. The total work authorized under those 41 contracts amounts to \$2,338,979, of which slightly more than half—\$1,191,811—represents the Federal contribution.

While gold is foremost a monetary metal, it also is a small but important segment of the industrial base of this Nation. Gold is important to many mining areas of the United States, and its diverse industrial and artistic uses are showing healthy and continued growth. Because of these factors we in the Department of the Interior in recent years have been stepping up the pace of our activities aimed at locating additional gold resources and encouraging their development. Our efforts along these lines will continue. We hope that both the understanding and assistance of those in the legislative branch who have an intimate concern with, and knowledge of, the gold mining industry will be available to us in the years ahead. We appreciate your interest and your help.

I have some additional copies of this statement, Mr. Chairman, if you would like to have them.

Senator GRUENING. Secretary Moore, that is a very interesting presentation. I wonder whether you can shed any more light by discussing and describing these new methods of exploration. Are those what you refer to on page 2 in the third paragraph, when you say that you expect through existing and projected programs, to encourage the mining industry? Are those the things that you refer to?

Mr. MOORE. Yes. We have programs within the Department to the extent that we have funds available for research efforts along this line to determine the additional resources of gold. Perhaps I should defer to some of my more expert colleagues, in that respect, and perhaps either Dr. Charles Merrill—

Senator GRUENING. It would be very useful. The gold mining industry obviously needs encouragement, something very definite and tangible. While we are extremely disappointed in the adverse report

of your Department on this legislation, which legislation we feel is necessary really to do something, we would like to hear in detail about these new efforts at improving exploration, and discovering more gold.

What I would like to ask specifically is whether you think that these programs would effectively overcome the price situations. Now, of course, it is very fine to have the additional exploration, but if miners cannot produce this gold at a profit, those programs are not going to succeed.

Now, that is the real issue in this situation.

Mr. MOORE. Well, I feel that perhaps through new technology, we can reduce somewhat the cost of producing gold from lower grade ores.

Mr. FEISS, would you like to say something about this?

Senator GRUENING. We shall be very glad to hear in detail about these new efforts.

Mr. FEISS. First, I should say I am Julian Feiss, Department of the Interior, Staff Assistant to Secretary Moore. One of the more hopeful signs, of course, and one of the tasks that Geological Survey has undertaken with other Federal agencies involved is improvement in our minerals exploration methods.

Gold, as you know, Senator, is frequently an extremely ubiquitous substance in small quantities. It has a quality of pervading various types of rocks in which it is found. One of the problems in the past has been that of identifying and evaluating trace quantities of the substance.

Now, both the Geological Survey and the Bureau have in recent years been working along the lines of trying to detect very small quantities of gold. To say that our efforts have been 100 percent a success is not true. But we have improved our techniques tremendously in the spotting of likely areas for gold discovery. Some of this is done through new chemical means.

As you will recall in the old days, the only practical method of determining the existence of gold, was by use of the gold assay, which was a pyro-metallurgical method, where you had to go to an assay office for the determination of the quantity of gold in a sample of the rock or ore that you were investigating. Today we have been successful in devising equipment that enables us to detect traces of gold in the field and, consequently, this is of importance in terms of new exploration and gold search.

I think that possibly Dr. Kirkemo can give us a few angles on this, as he has worked extensively on it. Dr. Kirkemo is also from the Survey.

Senator GRUENING. Please proceed.

Dr. KIRKEMO. I am Harold Kirkemo, Department of the Interior, Geological Survey.

I might cite the Geological Survey's work in the wilderness studies this past summer with respect to the mobile spectrograph, which was used to make about 30 analyses of some 3,000 samples, which totals 90,000 determinations, traveling some 10,000 miles. This points up the mobility, the speed and the usefulness of these new techniques that have been developed to date.

We are also working on atomic absorption devices to detect gold more rapidly than, as Doctor Feiss has pointed out, by chemical means in assay offices. For example, an atomic absorption device has a

capability of 20 samples per man per day, with sensitivity down to 6 parts per million. A wet method, portable, is the cyanide method, which has the capability of 60 samples per day, and a sensitivity down to 5,000 parts per million. Another method also under development, a study, has a sensitivity to 500 parts per million.

This illustrates some of our techniques to speed up the detection and the analysis of samples in the field where it is most useful to the geologist in correlating what he sees immediately, rather than waiting for days or weeks for the analysis to return.

Senator GRUENING. Thank you very much.

Mr. Moore, in the same paragraph you say "through existing and projected programs." Would you give the subcommittee any inkling of what the programs that are projected might be?

Mr. MOORE. We will continue the operations of the Department in several areas. We will continue the work of the Office of Minerals Exploration, which I believe I indicated through April 26, 1966, involved 41 contracts for a total of more than \$1 million in Federal contributions alone.

The Bureau of Mines will be completing its comprehensive study of the Nation's gold potential, which was begun in 1963, and the results of which we will publish this year.

Senator GRUENING. When do you think that report will be available?

Mr. MOORE. It will be available within this calendar year. The Bureau of Mines will develop, in fact, it has developed and will continue to develop new techniques for sampling and evaluating low-grade deposits, and in finding new methods of recovering gold from ores, and perhaps some newly discovered types of ores.

The Geological Survey, of course, will continue its precious-metal program. As I indicated in my report, since 1960, because of increasing needs, the Survey has, through internal programing and reprograming, accelerated its efforts and will continue to accelerate them in the type of field geology, the three-dimensional geology, which has resulted in the discovery of the Creede Mine and the Carlin Mine.

We hope through the efforts of the Geological Survey and the Bureau of Mines that we can make some substantial progress in the precious-metals field.

Senator GRUENING. On page 6, Mr. Moore, you refer to the loan program. Would you give the committee a little elaboration on what this program consists of? Who is entitled to get these loans? How are they used?

Mr. MOORE. The Office of Minerals Exploration, you mean?

Senator GRUENING. Yes.

Mr. MOORE. Anyone who has a property—I am subject to be corrected by members of my staff—which, upon investigation, proves to the satisfaction of the Office of Minerals Exploration to be worth developing, is eligible for this type of assistance under the Minerals Exploration program. It must meet certain types of economic standards; you must understand that.

However, as I pointed out before, through the work of the Geological Survey and the Bureau of Mines, we might find some of these areas are worth developing, which might not have been worth developing 2 or 3 years ago.

Senator GRUENING. The reason I asked, was because, specifically in my State of Alaska, we have a number of gold miners who, like most miners, are always hopeful and optimistic, who have prospects that look very good, who have developed them and need a little assistance. If we could just tide them over between profit and loss—I wonder whether they would be eligible for some of these loans? If so, it would be one of the things we would like to explore.

Mr. MOORE. Mr. Kirkemo will answer that in detail.

Mr. KIRKEMO. If I knew the specific problems, sir. Some of the applications may not be eligible for several reasons. One, they may not have the financing means to put up their share of the money toward the contract. In this case, it would be 50 percent.

Senator GRUENING. What is the rate of interest on those loans?

Mr. KIRKEMO. I believe this month, it is  $6\frac{7}{8}$  percent.

Senator GRUENING. That is fairly high.

Mr. KIRKEMO. It is the Treasury's rate plus 2 percent, the current Treasury rate being  $4\frac{7}{8}$  percent.

Mr. MOORE. You mean the base rate?

Mr. KIRKEMO. Base rate.

Mr. MOORE. Yes.

Mr. KIRKEMO. Plus 2 percent.

Senator GRUENING. Secretary Moore, when you come to Alaska and I hope you will in July—

Mr. MOORE. I expect to be there, sir.

Senator GRUENING. You will see some of these programs at first hand, and we certainly look forward to your coming there. Because people are very eager to talk to you and to the Chief of the Bureau of Mines. We are hoping to add one more to our party. I have asked Mr. Pecora of the Geological Survey whether he could possibly arrange to accompany us. If that is so, it would certainly be helpful. Any other members of your staff that you think might be useful to bring along, I certainly welcome. We feel up there that mining has been more or less of a forgotten stepchild of the family. We would like to rectify that situation as much as we can.

Mr. MOORE. It is not forgotten in the Department of the Interior, I can assure you, Mr. Chairman. We will look forward to our trip to Alaska.

Senator GRUENING. Thank you.

Senator JORDAN?

Senator JORDAN. Mr. Secretary, you point out in your convincing statement here that the industrial uses of gold are increasing substantially. While industrial demands have been growing, domestic mining and production of gold have failed to keep pace and have failed to supply us with half of this demand. You state that the balance has come from Treasury stocks. How much are we taking from Treasury stocks now to fulfill the requirements of the industry, do you know?

Mr. MOORE. Perhaps Mr. Merrill will answer that.

Mr. MERRILL. I am Charles W. Merrill. Approximately one-half of the current needs is drawn from the Treasury stocks.

Senator JORDAN. Do you have a figure for that one-half?

Mr. MERRILL. Four point nine would be the total consumption, and it would be somewhere near half of that. I think I have—

Senator JORDAN. Four point nine was the total consumption? Four point nine million ounces?

Mr. MERRILL. The latest figure I have here is for 1964. The total issued for industrial use was 5,887,000. But there was returned, as secondary, 1,086,000, which meant then that the net consumption was 4,801,000 ounces.

Senator JORDAN. Nearly 5 million ounces consumption in 1964?

Mr. MERRILL. That is correct, yes.

Senator JORDAN. In your statement, Mr. Secretary, you said that the production in 1964 was 1.5 million ounces. Is that correct?

Mr. MOORE. I believe it was a little higher than 1½ million. I think it was around one million eight—I beg your pardon. In 1964, it was a million and a half.

Senator JORDAN. So, actually, then, comparing 1964's consumption with its production we had a production of 1.5 million ounces and a consumption of nearly 5 million ounces. Therefore, in that year, we had to make up the difference from stocks in the order of 3.5 million ounces.

Mr. MOORE. About two-thirds was withdrawn from Treasury stock instead of the half which was mentioned, which was the average for 5 years.

Senator JORDAN. That is right.

How long can Treasury stocks sustain that kind of a decision?

Mr. MOORE. Well, of course, that becomes somewhat of an intangible guess on anyone's part, Senator. Obviously, if the industrial use of gold continues to increase and—

Senator JORDAN. You do not expect it to diminish, do you, the industrial use for it?

Mr. MOORE. I do not. However, I do expect mine production will increase. It did increase, I believe, last year with the Carlin Mine. I believe roughly 220,000 ounces increased in the Carlin Mine alone, plus some slight increase in Utah, due to the East Tintic Mine—is that right, Mr. Feiss?—through the byproduct recovery of gold.

Senator JORDAN. But the gap is still substantial?

Mr. MOORE. There is no question about that; no question whatever.

Senator JORDAN. In your statement, you point out to the year 1940 as being one of high production, 5 million ounces. I will ask you to state for the record what the purchasing power of the dollar was in 1940, as compared to the purchasing power of the dollar in 1966.

Mr. MOORE. I do not recall that figure. We do have comparative gold prices in 1940 dollars—in 1940, it was \$35, which we take as a base. It was \$14 in 1964.

Senator JORDAN. Go into that in a little more detail, and a little more slowly for me.

Mr. MOORE. That is the price of gold, the price of gold stated in terms of 1940 dollars.

Senator JORDAN. In 1940, what was the price of gold?

Mr. MOORE. \$35, since we are using 1940 as a base.

Senator JORDAN. What is the comparable price in 1964?

Mr. MOORE. \$14.

Senator JORDAN. That is a good figure. No wonder we are not producing any gold.

I wonder, Mr. Secretary, commendable as your efforts are in improving techniques and not only in location but in mining and processing, do you think that they are adequate to do the job that we face here in the gold industry?

Mr. MOORE. We hope that we can develop our resources more fully than we have done in the past, Senator. I think that we have a great many resources, not only in the precious metals field, but in all the metal fields, which we have not really developed to the utmost. I think through new technology that we can gain a great deal of additional production from these mineral resources, which we have not had in the past.

Senator JORDAN. But time is important here, Mr. Secretary, and we do not have the time. We do not have the time. We are diminishing our gold reserves at an alarming rate, and the technology that you are helping to improve is coming along at a very much slower rate. I do not think that we are getting the result that is needed here when we maintain the price of gold at \$35 an ounce.

Mr. MOORE. Well again the price of gold is a matter which is not within my jurisdiction.

Senator JORDAN. I understand.

Mr. MOORE. I would have to reiterate that I am not an expert in the monetary field. However, we do support that policy. I would have to say that for the record.

Senator JORDAN. But you do support the administration's position that that price will be maintained?

Mr. MOORE. Yes, indeed, we do.

Senator JORDAN. But the remedy you suggest is wholly inadequate. Is that not true?

Mr. MOORE. Well, I would respectfully suggest that we cannot really be certain of that until we have had a chance to try it out.

Senator JORDAN. How long will it take to try that out then, Mr. Secretary?

Mr. MOORE. I wish I knew the answer to that, sir. We intend to make use of the resources of the Bureau of Mines and the Geological Survey and give our utmost effort to developing the mineral resources of the country.

Senator JORDAN. Is there not a likelihood that we will run out of gold reserves before you get the proof of the adequacy of your work?

Mr. MOORE. I think that this is subject to many variables and there are many different opinions on this general subject. As to our general monetary policy, I would still have to refer to the Treasury Department.

Senator JORDAN. Thank you.

Senator GRUENING. Well, Mr. Secretary, being perfectly frank, is it not a fact that you, the Department, are under orders to go along with the Treasury Department? This might not be your personal view, but as we understand the situation, the Treasury Department seems to dominate in this field and that you have more or less to go along with it. This might not be your personal view at all.

I do not want to embarrass you. I think we all understand that situation. I think it would be well, though, if we could have a personal expression.

Now, let me illustrate what I think is an analogy. Within the Department of the Interior, we find the different branches at loggerheads with the other. Fish and Wildlife Service, for instance, objects to the Rampart Dam. The power department might think it is a good project. Within the Department, they do not hesitate to express their conflicting views freely.

What would be wrong with having the Department of the Interior express its views to the effect that while it is obligated to go along with the Treasury Department, it thinks that something more effective should be done for gold? Is there anything wrong with that in this land where we are supposed to have freedom of expression?

Mr. MOORE. Not in the least, Senator. I would not deny that there have been times in the past when there has been some disagreement between various bureaus in the Department of the Interior. I would not even deny that there have been disagreements within the mineral resources area.

With respect to monetary policy, again, I do not know whether my monetary view would be worth anything at all, since I do not know all the intricacies of finance, international finance, or international monetary policies.

I have been told many stories about what would happen under varying circumstances. Frankly, I do not have the information upon which to base a firm personal opinion, an expert opinion. It would be nothing more than a pure guess on my part, if I were to express a personal opinion, since I do not have the expertise on which to base it.

Senator GRUENING. Well, the subcommittee will certainly try to explore with members of the mining industry, the gold mining industry, whether they think that the proposals that the Department makes will be effective—in other words, will enable them to close the gap between the costs of operation and the price they can get for gold.

We are glad to see the Department exploring these things, but I share the view of my colleague from Idaho that they are not going to be effective enough to close the gap. You face not merely the tremendous increase in the cost of operation which exists today, but what we know is going to be a greater cost because of current inflation. We know that the costs of living and operation are constantly going up. Even if these measures which you propose would be effective in 1966, they would likely be ineffective in 1967 and 1968 as operating costs continue to rise, because the administration policy is still to stick to that 1934 price. To me, it is extremely unrealistic.

Of course, none of us here in the Senate and on this committee share the Treasury Department's views. We have been unable to be convinced, and we are just as much concerned with the stability of the dollar as anybody can be. We think it is desirable. But we do not think that making efforts to subsidize the gold mining industry and viewing gold as a mineral, as a metal useful in industry and in medicine and in other activities, would in any way affect the stability of the dollar.

It does seem to me that people who are interested in that aspect, such as yourself, might try to brief yourself on these arguments with the Treasury and see if we cannot have a sufficient conflict within the administration that this view might prevail.

Now, I cannot challenge the intelligence of all my colleagues here on the Interior Committee, none of whom agree with this Treasury

Department view. It would seem to me that it is up to those interested in mining in the Department of the Interior to take a more vigorous stand. There should be a conflict within the administration on this issue. I think that it is very desirable that you do not continue to accept the Treasury Department's verdict too kindly. At least, you should argue. I think you should make your own exploration of this aspect of it. I am convinced that this fear on the part of the Treasury Department is a myth, like many myths which we have sometimes punctured in the past and which time has proved to be invalid.

Meanwhile, the industry is perishing, and within a very few years, it will be too late, it will be beyond recovery, unless we do something about it.

I am very hopeful that you, as a responsible official and one deeply interested in this industry, and who has demonstrated your knowledgeability in the field of mining—we all respect your knowledge and your achievements—we would like to have you tackle the Treasury Department from within and see if you cannot get to a better understanding.

This has become, in our judgment up here, and there are people on this committee who are knowledgeable in the field of finance, such as Senator Allott and a former member of the committee, Senator Dominick, the junior Senator from Colorado—they, none of them, share these views of the Treasury Department. Senator Dominick is experienced in the field of finance. His is a banking background and he disagrees with the Treasury Department. I think this is something we ought to try to explore, to see whether within the administration, within the executive branch, we cannot find a better solution than the one we have now. I hope that will be done.

I know that you are as much distressed as we are that gold mining is disappearing. It is disappearing only in the United States, not in other gold mining countries. Why should this great country be the one that suffers our mining industry to undergo this constant, increasing discrimination?

I hope you will take this message back and see whether you cannot have an internecane interdepartmental study of this thing.

Thank you very much.

Senator JORDAN. Mr. Chairman, may I supplement your very fine statement?

Senator GRUENING. Senator Jordan.

Senator JORDAN. Mr. Secretary, the members of this subcommittee think that the Treasury Department is wrong. You are the custodian of some of the richest mineral resources of the whole country. We are looking for an ally. We need help. We rather hoped that you would exert yourself a little bit to see our point of view, because we think that you are in a position to do us some good as you administer these resources.

Mr. MOORE. Thank you very much, Senator.

And thank you, Mr. Chairman. I certainly appreciate the great knowledge which this committee, this subcommittee, has, and we do appreciate your remarks very much. I appreciate being here.

Thank you.

Senator GRUENING. Thank you very much, Secretary Moore, and your assistants. We are very happy to have had you, and you have made a very helpful contribution.

Now, the Honorable Alexander Trowbridge, the Assistant Secretary of Commerce for Domestic and International Business.

Secretary Trowbridge, we are happy to have you here. Possibly we could establish the Department of Commerce as a bridge between the Interior Department and the Treasury Department.

**STATEMENT OF ALEXANDER B. TROWBRIDGE, ASSISTANT SECRETARY OF COMMERCE FOR DOMESTIC AND INTERNATIONAL BUSINESS**

Mr. TROWBRIDGE. Thank you very much, Mr. Chairman.

I have with me this morning Mr. Bodner of the Office of General Counsel, Department of Commerce. And with your permission, sir, I shall read a prepared statement which I have.

Senator GRUENING. Yes, indeed.

Mr. TROWBRIDGE. Mr. Chairman, Senator Jordan, I appreciate the opportunity afforded by this committee to give the views of the Department of Commerce on S. 1377 and S. 2563. These bills would provide subsidies to assist the gold mining industry in this country and increase domestic production of gold. Subsidized gold under these bills would continue to be sold to the Treasury at the established price of \$35 per ounce.

The Department of Commerce shares the concern of the supporters of these bills for the well-being of the gold mining industry. The industry, unquestionably, is squeezed between the fixed selling price and rising costs of operation. From 1940, the peak year of U.S. domestic gold production, to the present time, the prices of the goods and services which comprise our gross national product have increased about 1½ times, while the price of gold has remained fixed at \$35 per troy ounce.

Many other gold-producing countries subsidize their production in one way or another. U.S. law provided for subsidies in exploration for gold but not its production. Since 1962 the Government has offered to meet 50 percent of the cost of exploring for gold. Last year these exploration contracts appear to have decreased compared to earlier years, probably because of the rising cost of gold production.

As this committee is well aware, gold, unlike the products of other industries, is a monetary commodity.

In contrast to other products—whose prices are generally determined by the free interplay of market forces—the price of gold is principally determined on the basis of high governmental policy considerations. In 1934, for example, the United States changed the defined gold parity of the dollar from \$20.67 per ounce to \$35 per ounce—an increase of nearly 70 percent in the price of gold occurring at a time when other prices were sharply declining. The remarkable doubling of the rate of gold output which followed between 1933 and 1940 was a consequence not only of the increase in the official price of gold, but also of the substantial reduction of other prices.

The fact that the official price of gold has remained fixed to the present time at \$35 an ounce has led other countries to introduce various

types of gold production subsidies. However, their currencies are not generally held by other countries as official reserve assets, whereas the defined gold parity of the U.S. dollar represents a cornerstone of the international monetary system—based on fixed exchange rates and the gold convertibility of the U.S. dollar, as the world's principal reserve currency, at the fixed price of \$35 per ounce.

If the United States were to introduce gold production subsidies, there is a considerable likelihood that other countries would interpret this action as an indication that the United States no longer regards the defined gold parity of the dollar as adequate. By creating what would amount to a dual pricing system in the United States for gold, world confidence in the gold convertibility of the dollar at the fixed price of \$35 an ounce would weaken at a time when our efforts to balance our international payments position are directed toward reinforcing that confidence.

The Department of the Treasury has the primary responsibility for gold monetary policy. The Department of Commerce has a primary responsibility for expansion of exports. Any action which would be widely interpreted as a sign of official dissatisfaction with the defined gold parity of the dollar runs a risk of leading not only to a run on the U.S. gold reserve position, but also to a worldwide increase in the diversion of newly produced gold into private hoards. Such an eventuality would ultimately threaten prospects for maintaining the continued expansion of world trade and payments, as various nations would increasingly feel compelled to adopt restrictive policies in defense of their international liquidity positions.

The Department of Commerce, in meeting its responsibilities with respect to U.S. export expansion, therefore, must oppose the adoption of the proposed legislation now under consideration by this committee. We must avoid actions that involve a risk of bringing about a contraction of international trade and payments, with consequent adverse effects on continued world economic growth and increased prosperity.

The Department is also concerned about the adequacy of gold for industrial uses. About 65 percent of this industrial use is for jewelry, about 25 percent for dentistry, and 10 percent for other uses, largely plating of electronic components. Other applications include those for military and space equipment. In 1965, these industrial uses increased by 26 percent over 1965. Total industrial uses represent more than 3 times our domestic production, so that at this time gold must be regularly withdrawn from monetary use to cover these needs.

However, U.S. gold production is less than 3 percent of estimated world production, so that even if U.S. production could be doubled or even tripled by subsidy arrangements, this would make only a marginal contribution to world gold stocks. Thus, the increment in gold supply would be small by the most important comparison: the magnitude of the Treasury gold stock, or the amounts involved in our Treasury gold losses.

For these reasons the Department of Commerce cannot support the subsidy programs proposed in S. 1377 and S. 2562. However, this Department would support research to find ways of reducing the cost of gold mining and extraction operations.

Thank you, Mr. Chairman.

Senator GRUENING. Thank you very much, Secretary Trowbridge. You say that the Department is concerned with increasing industry exports?

Mr. TROWBRIDGE. Yes, sir.

Senator GRUENING. The Department is also interested in increasing the development of domestic industry, is it not?

Mr. TROWBRIDGE. That is correct, sir.

Senator GRUENING. I take it you would like to see some policies which would enable the gold mining industry to operate profitably, but like the Interior Department, you feel you are subject to the rulings of the Treasury Department. Is that the case?

Mr. TROWBRIDGE. We certainly have to defer on questions of monetary policy, Mr. Chairman, to the expertise and knowledge of the Department most responsible, which is the Department of Treasury.

Senator GRUENING. Well, of course, the issue, as this subcommittee and the full committee in the past have seen it, is that monetary policy is not involved in the various legislative proposals which have been made and which are being made. If you listened, and I am sure you did, to my colloquy with Assistant Secretary Moore, you will have gathered that we would like to see the Department of Commerce likewise see if you cannot reason with the Treasury Department and present the urgent necessity of doing something that will really help the gold mining industry get back on its feet.

Now, I gather from your statement that you talk about risks. You say, for instance, any action which would be widely interpreted as a sign of official dissatisfaction with the defined gold parity of the dollar runs a risk. That was a very conditional sentence and very properly so. You say would be widely interpreted and this is an assumption. Then you say it runs a risk. That is also pretty conditional.

I wonder whether the time is not going to come when we might be prepared to take this risk, which some of us think is not any risk at all, and see whether dire calamity would result from any attempt to pay the miners a little more for gold while they continue to sell it on the market for \$35 an ounce. We have seen similar actions taken for other commodities and activities. We have a domestic subsidy for shipbuilding so that ships built in domestic yards can meet the difference in the costs of ship construction here and abroad. We have various types of subsidy for agriculture. We have some subsidies for other minerals.

It would seem that somehow our intelligence, our combined, our collective intelligences in the various administrative branches of the Government, would be able to meet the situation. I hope that you, likewise, in the Department of Commerce, will explore this thing and feel that it is not entirely out of your field.

I think the Department of Commerce could very well be a bridge in this situation between the Treasury Department view and the obvious necessities of the situation. I believe we face an impasse now and that we have to resolve it.

We appreciate the efforts that are being made to make exploration better, to find gold resources, but it seems pretty obvious to me, and I think to other members of this committee—I cannot speak for them,

but I suspect that they think as I do that while that exploration effort is praiseworthy, it is not going to do the job, it is not going to fill the gap between costs and selling price. The gap between what we pay for gold—what production costs are and the price the miners can obtain—is just widening all the time. The price of equipment and labor continues to go up and the price of gold remains fixed, and the few remaining operating mines will be extinct in a very short time. That is a tragic situation that you should want to obviate and prevent happening.

We think that this is a collective problem for the whole administrative, the executive branch of the Government to focus on. As long as the Treasury Department and all of the other departments comprehend that we are not proposing changing the price of gold as far as the monetary standards are concerned, I find it difficult to see why some of these proposed remedies cannot be accepted.

That is what I would like to see the Department of Commerce work at.

Mr. TROWBRIDGE. Yes, sir.

Senator GRUENING. Senator Jordan?

Senator JORDAN. Mr. Secretary, you say the Department of Commerce has the primary responsibility for the expansion of exports. How successful have you been in expanding exports? What is the export figure for 1965 as compared with 1964?

Mr. TROWBRIDGE. Senator, as I am sure you are aware, the trade surplus, which is the excess of exports over imports, was reduced in 1965 from a level in 1964 of about \$7.0 billion down to a level of about \$5.2 billion.

Senator JORDAN. Yes.

Mr. TROWBRIDGE. The export increase was in the neighborhood of 4 percent, 1965 over 1964. The reason for the drop in the trade surplus was the much larger increase in imports, roughly 13.5 or 14 percent.

Senator JORDAN. Yes.

Mr. TROWBRIDGE. Now, you asked as to our efforts. You may be aware as to some of the trade commercial programs, export expansion programs that we have conducted for the past 4 or 5 years primarily. We feel that to the extent that these programs are used, and to the extent that you can identify the amount of actual sales made by reason of these vehicles, the programs are being effective and the professionalism of the effort is good. We cannot say that the entire \$26 billion worth of exports by the United States is due to the Government, because it is the private sector that is out making the sales.

Senator JORDAN. We still are suffering from a deficit in our balance of payments, are we not?

Mr. TROWBRIDGE. We do have, of course, at the end of 1965, a deficit in the total balance of payments of approximately \$1.3 billion, which was compared to \$2.8 billion in 1964.

Senator JORDAN. Yes. That has been reduced somewhat, but it is still going down very rapidly on the available gold reserves, is it not, of this country?

Mr. TROWBRIDGE. The gold reserve drawdown has been continuing through the years, yes, sir.

Senator JORDAN. And it would be helpful if we could double the production of domestic gold so we could meet the requirements of domestic users, rather than only 50 percent of those requirements, would it not?

Mr. TROWBRIDGE. I believe it would. I believe that the figure Secretary Moore gave was that industrial consumption was 4.5—

Senator JORDAN. Nearly 5 million.

Mr. TROWBRIDGE. Which was three times the domestic production.

Senator JORDAN. But the new Carlin production in Nevada roughly doubled the domestic production.

But what we are seeking to do here is provide some incentive to double production of the domestic gold so we can meet the domestic requirements for gold. It seems to me that this would tie in very directly with your efforts to expand exports, both working toward the same objective, to stop this drain on gold reserves. I would hope that the Department of Commerce would look kindly on our efforts here. If you could persuade yourself to break away from some of the thinking in the Treasury Department to which this committee does not subscribe, and we could enlist your support, we would appreciate your help.

Mr. TROWBRIDGE. We are very fully aware of the difficulty of the problem and the importance of the industry, Senator. I certainly want to assure you that we will keep working on it and talking with all concerned to see if we cannot come up with better solutions to a difficult problem.

Senator JORDAN. Thank you.

Senator GRUENING. Thank you very much, Secretary Trowbridge.

Before hearing industry witnesses, we have the Honorable Fred B. Smith, General Counsel, Department of the Treasury.

Mr. Smith, will you come forward? I hope that you appreciate that we do not class you in the role of villain in this case; we know, that you are merely presenting the case for a long-standing policy which has prevailed through many administrations.

**STATEMENT OF FRED B. SMITH, GENERAL COUNSEL, DEPARTMENT OF THE TREASURY; ACCOMPANIED BY MRS. RUTH PICKNELL, OFFICE OF GENERAL COUNSEL**

Mr. SMITH. I guess I am the bete noir of these proceedings.

I have with me Mrs. Ruth Picknell, senior attorney in the Office of General Counsel, of the Treasury Department.

I would like to say, Mr. Chairman, that nothing could make me happier than to be able to say something that would make you happy this morning. But as you have pointed out, I am only the latest in a long line of Treasury witnesses to appear before congressional committees in opposition to legislation to assist the gold mining industry through Federal payments amounting to subsidies.

I appreciate this opportunity to discuss with you today the subject of gold, particularly in relation to S. 2562 and S. 1377.

The Treasury Department has consistently opposed this type of legislation. In our view, nothing that has occurred in our domestic economy or in our international monetary, trade and payments situ-

ation in the last year would justify any change in this view. However, I think for those areas of the country which historically have been concerned with the production of gold and other important minerals, help lies not in the subsidy field nor particularly in special tax concessions, but rather in the constructive field of research and development in which potentially significant steps are underway. Some developments in the area of discovering new deposits of gold hold out the promise of increased production on a profitable basis at the present \$35 price. The Assistant Secretary of Interior, Secretary Moore, spoke about that earlier this morning.

First, I would like to point out that the Government's policy on gold is by and large the same today as it was in 1934 when Congress enacted the Gold Reserve Act. Our basic policy continues to be that of centralizing the gold stock of this country in the hands of the Government and maintaining a fixed price for gold. A fundamental aspect in maintaining the stability of the dollar in international trade and payments has been our policy of standing ready to buy and sell gold at a fixed price to and from foreign governments, central banks, and under certain conditions international institutions, for the settlement of international balances and for other legitimate monetary purposes. It is in this way that we feel the dollar has been accepted along with the traditional acceptability of gold.

Referring now to the bills before the subcommittee:

S. 2562 would provide financial assistance to domestic producers of gold who can establish that their current costs of production are at least 125 percent of such costs in 1939. The payments would be based on a domestic costs-of-production formula. Producers in operation for a year prior to the date of enactment would receive basic annual payments equal to 5 percent of total gold bullion receipts during such year, plus 3.75 percent for each five-point increase in the Consumer Price Index. Those not in business prior to enactment would receive 125 percent of such gold bullion receipts during the year preceding the date of application for assistance. A formula for computing constructive costs of production is provided for operators who have no history of production in 1939 or the year preceding the application.

S. 1377 would establish a program to be administered by the Secretary of Interior for payments to domestic gold producers based on differences between costs of production in the last quarter of 1939 and current costs on an individual mine basis. The costs for which differential payments would be allowed would include those of labor, amortization of capital investment in equipment and construction necessary to efficient operations, mine rehabilitation, transportation, fringe benefits, supplies, materials, power, and property taxes. Payments would be made only for gold produced and the eligibility requirements for such payments would include a requirement that gold production account for at least 50 percent of all the minerals produced by the particular mine.

The Treasury Department has been and continues to be opposed to the enactment of these and similar bills because they would lead to uncertainty and speculation with regard to the official price of gold. Subsidy payments to gold miners would, we believe, be interpreted by foreign countries as a recognition by the United States of a higher

value for gold than the official rate of \$35 an ounce and as possibly the first step toward an official revision of this price. The consequences would undoubtedly be an undermining of confidence in the ability of the U.S. price for gold in official international transactions. Overall, the result would be to shake confidence in the dollar and to aggravate our gold outflow problem.

A sound dollar in which the world has confidence is the basic underpinning for the international trade of the United States. As President Johnson made clear in his message to Congress on February 10, 1965:

The dollar is, and will remain, as good as gold, freely convertible at \$35 an ounce.

That pledge is backed by our firm determination to bring an end to our balance of payments deficit.

In his Economic Report of January 1965, President Johnson stated:

The stability of the American dollar is central not only to progress at home but to all our objectives abroad. There can be no question of our capacity and determination to maintain the gold value of the dollar at \$35 an ounce. The full resources of this Nation are pledged to that end.

Not only is confidence in the dollar essential to our international trade, but the monetary system of the entire free world is dependent upon the convertibility maintained between gold and the dollar at the \$35 price. Because of this assurance, the dollar along with gold is held in significant amounts in the reserves of countries of the free world. Should any doubt arise about the U.S. intention to maintain the \$35 price, confidence in the dollar could well be shaken to the point of causing great damage to our international trade and a disruption of the international monetary system.

The bills now before this subcommittee would involve the payment by the U.S. Government of prices for gold which differ from the official U.S. price of \$35 per ounce. What results could we foresee if such a system—one which provided both for an official price in international transactions of \$35 per ounce and other prices for new domestic gold production—came into being? First of all, thought of in these terms, gold would be considered simply as a commodity. The producers of gold as a commodity would be paid a price which would reflect the cost of bringing the commodity to the marketplace. Under S. 2562, it is clear that this price would be in excess of \$35 an ounce with respect to gold produced by mines eligible for payments thereunder. Under S. 1377, subsidy payments based on increased costs of operation on an individual mine basis would no doubt result in various prices, all above \$35 per ounce, being paid by the Government for new domestic gold production. But under our monetary system and that of the free world, gold cannot be viewed as simply a commodity, and it is for this reason that we must consistently be so negative.

We know about the problems of the gold mining industry. Our resistance to paying this industry more than \$35 an ounce is not based on lack of sympathy or of desire to be of assistance but rather the necessity of our considering a higher price for gold in the broad context of the U.S. preeminent position in international trade and finance.

If the Government decided to come to the aid of this industry by paying subsidies, it is our considered opinion that this would be inter-

puted as a judgment by the United States that it believes gold to be worth more than \$35 per ounce, or dollars to be worth less than that rate in terms of gold. This might lead foreign countries which hold dollars to decide that gold must be more valuable than the dollar and that the United States was on the way to raising the official price in international transactions. There would be a strong incentive for these governments to turn their dollar holdings into gold.

The increased rate of conversion of dollars into gold would cause a serious drain on our gold supplies and jeopardize our ability to maintain the international exchange stability of the dollar.

For these reasons the Treasury is opposed to the passage of S. 2562 and S. 1377.

Senator GRUENING. Well, thank you, Mr. Smith. Of course, this repeats the historic view of the Treasury Department. The Department's view, as expressed by you and previously by others, is that almost any activity that would make the mining of gold profitable would cause alarm, fear, uncertainty, and jeopardize the stability of the dollar. Is that not the position?

Mr. SMITH. No, I would not say any activity, sir. I think we are fully in support of the programs which the Department of the Interior mentioned this morning, in which they are intensifying activity. We certainly favor increased domestic gold production, so I would not say any activity. I think it is the subsidy route which gives us the greatest concern.

Senator GRUENING. Well, in other words, you would welcome more production of gold from our domestic mines?

Mr. SMITH. Yes, indeed.

Senator GRUENING. Why would not that be interpreted abroad as a concern for the amount of gold which we have? Why would not that cause international alarm?

Mr. SMITH. Well, because I do not feel that this would relate to the price of gold in the way in which subsidy relates to the price of gold.

Senator GRUENING. Well, how would a subsidy coupled with a clear and emphatic and unqualified statement that the price of gold on sale and purchase would remain the same, but that this is simply assistance to the operating aspects of mining—why should that create alarm?

Mr. SMITH. Well, I believe, to repeat what I have said, possibly, in other words, that it would be indicative—first, it would be a greater return in terms of an ounce to the miners involved, and it would be indicative, and we feel would be interpreted widely abroad, as a sign that the U.S. Government, itself, considers that gold is worth more than \$35 an ounce. This, we feel, would be the thing that would shake the confidence in the intention of the United States to maintain that price.

As you undoubtedly know, sir, it takes very little to set off speculation in London and other principal financial centers on the possibility of—

Senator GRUENING. By speculation, you mean mental, cerebral speculation; do you not?

Mr. SMITH. Well, speculation followed by action in some cases, increased purchases of gold in the London gold market. If this should develop to the extent where countries which traditionally hold signifi-

cant amounts of dollars in their reserves became fearful and began converting their dollars at a rapid rate, this could be very serious.

Senator GRUENING. Well, it is almost incomprehensible to us up here why operational assistance for the extraction of a mineral coupled with an unqualified statement of the price in the world market for both purchase and sale would be unchanged should produce the dire results the Treasury contends would follow; this seems to be a fiction and a mystique of the Treasury Department. I do not know why the efforts of the Treasury Department and the administration to get more gold cannot be interpreted similarly.

In fact, one of the predecessors in the Treasury Department did make that statement. He is not with the Government now, Mr. Roosa. He made the statement in a hearing at which I was present that any activity seeking to improve the situation of the miners would be apt to cause a panic, that we should not even be discussing it.

Well, we not only discussed it. We reported the bill favorably from the full committee. We watched the financial situation closely. We did not detect the slightest tremor. Nothing happened; when this bold, courageous act of the Interior Committee in voting this bill took place, nothing happened in the world.

I think it is entirely conceivable that if the next step were taken, namely, action by the Congress, in conformity with action by the committee, were that to take place, no such dire consequences would ensue. I hope that the time will come when the Treasury Department will be prepared to take what is to us a negligible risk.

Mr. SMITH. I would like to make one further comment, which I can make, because in this, I am unusual; I have been in the Treasury Department for 23 years. I will say that, while over all this period of time, our position on the gold subsidy bill has not changed—

Senator GRUENING. And the world has changed, but the Treasury Department is determinedly immutable in its position.

Mr. SMITH. I started to say that while our position has not changed, I can assure the chairman that every year we have a thorough survey, re-canvass, restudy of our view. Every new administration in the Treasury has approached this problem with the greatest sympathy and awareness and with the strongest desire to find something that can be done to help the gold mining industry.

So it is not just something that started in 1934. We sat on it, that is our position, and we just crank it out every year. I want to assure the chairman that we are constantly reviewing our policies. I am just sorry that in your light we always come out at the same place.

Senator JORDAN. Mr. Smith, you made it abundantly clear that the Treasury Department has consistently opposed this type of legislation. But I find it hard to understand what you mean by this statement. You say:

In our view, nothing that has occurred in our domestic economy or in our international monetary, trade and payments situation in the last year would justify any change in this view.

I ask you, Mr. Smith, are you not concerned about the U.S. overall balance-of-payments deficit declared in 1965 to \$1.3 billion as contrasted to \$2.8 billion in 1964? In other words, we are still going

down very substantially on our gold reserves by reason of a deficit of payments; are we not?

Mr. SMITH. Yes, we are, and we are certainly concerned about our balance of payments and our overall gold situation.

Senator JORDAN. Well, how does that, then, coincide with the statement I just read to you from your paper here, when you say:

Nothing that has occurred in our domestic economy or in our international monetary, trade and payments situation in the last year would justify any change in this view.

Mr. SMITH. We do not feel that developments in the last year justify a change in the view as to subsidy, as to gold subsidy bills. In fact, I would say that they reemphasize the necessity for our maintaining our present position on gold subsidy bills.

To get to the key question, I think, while these subsidy bills undoubtedly would result in increased production of gold in the United States, the most optimistic estimate of the kind of increase that we would get in production, double or triple as the result of such subsidies, we feel is very small in relation to the loss of gold in our international monetary transactions, which would result from a decline in confidence in the U.S. dollar throughout the world.

I would like to make just one more comment, sir. I do not know whether you have seen it yet, but Secretary Fowler yesterday made a very extensive speech about our balance-of-payments situation; where we are, what the improvements have been, and where we have not completely succeeded yet. I certainly recommend it, because it goes into all aspects of this problem. And I think that the thesis, basically, is this, that the fundamental problem is getting our balance of payments in order.

Senator JORDAN. Yes.

Mr. SMITH. That is his thesis. We are working on it. We have shown some improvement, significant improvement, but we are not home free yet, and we are still working on it every place we can.

Senator JORDAN. You are not home free by a long shot. I would say it is an alarming situation when our free gold reserve is less than \$15 billion, against which there are over \$25 billion of outstanding short-term credits. Would you say that is a rather alarming situation?

Mr. SMITH. Well, it is a matter of concern. Of course, if you apply the example of a bank, which I think is an appropriate example, you do not expect a bank to hold liquid reserves equal to 100 percent of its outstanding liabilities. We certainly do not expect that all those foreign official liabilities are going to be converted into gold—not so long as we are taking measures and steps in which the rest of the world has confidence.

Senator JORDAN. This is true. This is true if we have a record of a more even situation with respect to our balance of payments. But it has been disastrously bad in the last several years, and it has shown some improvement in 1965 over 1964. But it is still a substantial sum as measured against the free gold reserves that we have in the Treasury. Is that not true?

Mr. SMITH. Yes, sir.

Senator JORDAN. In your opinion—

Mr. SMITH. I might say I have a recent figure here that might be of interest to you. As you are probably aware, our gold losses last year were more than you could expect in relation to our balance-of-payments situation for 1965. In other words, some of the gold we sold was for dollars that were accumulated in previous balance-of-payments deficits.

Senator JORDAN. Yes.

Mr. SMITH. The latest figure I have, and this is just a preliminary figure on the first quarter of this year, is that our gold outflow was less than \$70 million in the first quarter of this year. So, there has been a—both in the last quarter of 1965 and the first quarter of this year—a very significant improvement in our gold outflow situation.

Senator JORDAN. Thank you.

Mr. Chairman, I ask that Secretary Fowler's speech be included at this point in the record. I think it is pertinent.

Senator GRUENING. It will be included at this point, after Mr. Smith's testimony.

(The statement referred to follows:)

REMARKS BY HON. HENRY H. FOWLER, SECRETARY OF THE TREASURY, TO THE CHAMBER OF COMMERCE OF THE UNITED STATES, WASHINGTON, D.C., MAY 3, 1966

*"The Businessman's Role and the Balance of Payments"*

I am truly glad to be here before this distinguished business group today, because—if I may borrow a phrase that may be familiar to some of you—it is a good occasion for us to reason together.

And we *need* to reason—in all seriousness—together.

We need to reason together because we are engaged together upon the accomplishment of a great national goal set for us by four great Presidents: to insure that the dollar as the basis for Free World commerce and development will continue to be in the future, as it is today, "as good as gold". It is our task to achieve that objective without sacrificing the external military, diplomatic, and political position of the United States in a world that depends upon the United States in large measure for security, peace and freedom.

We need to reason together because your Government, instead of seeking to achieve this national goal by imposing laws and regulations upon you, and upon our economy of free enterprise, has established, with the advice of outstanding businessmen and bankers, a program of voluntary cooperation linking the American business and financial community and the American Government in a partnership of economic responsibility.

And, we need to reason together because we should be absolutely clear about an aspect of the balance of payments problem, and the President's program for mastering it, that is too easily overlooked:

This is not a program undertaken to attain some passing political end or far-off ideal, or to achieve any narrow objective. Quite the contrary.

We regard solving the balance of payments problem in a manner consistent with Free World leadership as one of the most important goals of national stewardship because, if we should fail in this purpose, all of us, as individuals, as businessmen, as a government and as a nation, at home and abroad, at present and in the future, will be injured.

The success that the President is determined to have with this problem will *benefit* all of us, as individuals and as businessmen.

It will benefit all of us again by strengthening us as a nation, by way of the continued strength it gives our economic agent, the dollar, at home and abroad.

It will benefit all of us again by strengthening the fabric of international political and financial relationships which have given the Free World two decades of relative security and the greatest economic advance, marked by the largest expansions of international investment and trade known to modern history.

The balance of payments program takes in all aspects of the country's foreign financial transactions. I will address myself today chiefly to two aspects of the

payments program of direct concern to business—private capital flows in international investment—and the balance of trade, i.e., the mutual exchange of goods between U.S. enterprises and the outside world.

#### BALANCE OF PAYMENTS PROGRAM AND PRIVATE CAPITAL FLOWS

The present balance of payments program, including the voluntary programs of cooperation with corporations engaged in foreign investment and operations and financial institutions lending abroad was not something hastily conceived as a first resort to meet a crisis that reared its head in late 1964. To demonstrate this I will risk taking a minute or so of your time with some recollections that are both personal and official.

In 1962, as Under Secretary of the Treasury, I was one of the people pondering the riddle of how to solve the balance of payments problem consistently with the preservation of economic freedom and our position in the Free World. In June of that year I went to Atlanta to speak to a business group. The subject may sound familiar to you today. It was, "Business and the Balance of Payments."

Yes, we were already, four years ago, convinced that to solve the balance of payments problem we would have to depend upon the cooperation of the United States business community. And, we were beginning then to think—as we still think—in terms of securing the interest and the help of the American business community through a program of voluntary cooperation.

I said in Atlanta four years ago:

"It is important to the sound development of the European countries . . . that they expand and improve their own capital and savings markets, and make every effort to remove the many restrictions which burden those markets and inhibit the movement of funds into investment . . ."

The inadequacies of the European capital market even then threatened to result in an inordinate flow of dollars to do some of the work that European capital should be doing.

With this in mind, I urged in 1962 that U.S. businessmen should "voluntarily encourage the sort of response that is necessary" along the following lines:

"It is . . . important to the nation and to American firms themselves, to encourage increasing interest in investing in American securities and in American capital market by European institutions and individual investors. The shares of major American corporations should be listed on foreign stock exchanges, particularly in Europe and Japan, in greater numbers. American firms might also explore and seek out more fully opportunities for borrowing abroad, especially in support of the operations of their own foreign branches and subsidiaries . . ."

We sought, from the outset, a balance of payments program that would enable and encourage free market forces to deal with that part of the balance of payments problem that arises out of the shifting movements of private capital.

In 1962, speaking in Rome to an international group of bankers from Europe and North America, my predecessor, Secretary Douglas Dillon, appealed to the governments and institutions of the emerging financial powers in Western Europe. He urged them to permit and facilitate the better organization of private capital markets to increase the free flow of capital by removing the shackles of governmental restrictions that characterized most of that continent both before and particularly after World War II. The response was discouraging despite efforts later initiated in the OECD (Organization for Economic Cooperation and Development) to identify the specific impediments and to program their orderly removal.

Consequently, a disproportionate share of the burden of Free World private investment continued to fall upon the U. S. capital market. This resulted in such increases in the issuance of foreign securities in the United States in early 1963 as to require the enactment of the Interest Equalization Act, along with other measures to avoid a potential threat to the dollar. The tax was designed to bridge the gap between the readily availability and low cost of money our efficient capital markets permitted and the relatively high cost and lesser availability of money in European and other industrial countries.

Yet—and this is characteristic of our approach to the balance of payments problem—despite the fact that we were forced by factors outside our control to resort to this measure, we sought solutions that would permit the free flow of private capital.

As one of ten elements in his July 1963 program to meet this situation, the late President Kennedy appointed a Task Force in the Fall of 1963 that I was privileged to head. This Task Force was composed primarily of a distinguished group of persons from all elements in the private financial and industrial community concerned with international finance. President Kennedy charged it with developing programs that resulted in recommendations designed to:

1. Improve the U.S. balance of payments by increasing foreign investment in U.S. private securities;
2. Guide U.S.-based international corporations towards making greater use of foreign-held funds where they do business; and
3. Help establish conditions under which restraints upon the flow of capital between industrially advanced nations could be removed, diminished or allowed to expire.

The first of these sets of recommendations of the Task Force submitted in April 1964 is now embodied in the Foreign Investors Tax Act—which we hope the Congress will enact this year—designed to remove tax discrimination against foreign investment in the United States.

The second set of recommendations is reflected in part in those provisions of the President's balance of payments program, and the voluntary response of U.S. business to it, that seek to moderate the outflow of dollars for investment by securing the cooperation of U.S. businesses in making use of foreign held funds to finance their foreign affiliates.

The third is concerned with an area I have already touched upon—the inadequacies, restrictions and inefficiencies of the capital markets of other industrialized countries.

May I quote briefly on this subject from the Summary Recommendations of the Task Force Report in which representatives of the government (The State Department, Treasury Department, and the Federal Reserve Board) joined with the private members of the group:

"The Department of State and the Treasury Department should take bilateral diplomatic action aimed at securing the step-by-step removal of remaining exchange controls on capital transactions between advanced capital-forming countries and the discontinuance or liberalization of special exchange markets or procedures for investment transactions.

"The Department of State and the Treasury Department should . . . urge countries with balance of payments surpluses to relax their capital issues control in order to permit an expanded volume of international lending.

"The Department of State and the Treasury Department should, through appropriate international bodies, particularly the OECD, advocate the step-by-step relaxation of monetary, legal, institutional, and administrative restrictions on capital movements, together with other actions designed to increase the breadth and efficiency of free world capital markets."

Despite U.S. efforts in bilateral and multilateral councils to encourage it, the fact is that relatively little has been done on this score in the years intervening between Secretary Dillon's admonition in Rome in 1962 and the present. This has made doubly necessary our programs for moderating the flow of U.S. dollars to other developed countries through the voluntary programs on direct investment, and lending by financial institutions, initiated in February 1965.

May I observe that history and the record will show that your government has consistently sought to raise the banner of freedom for private capital formation and movement in the Free World just as it has defended principles of free international investment and liberalized trade.

Free investment by private capital formation and movement must be an objective of all the free industrialized nations—not just of one or two—if the United States is to keep its capital market open to all demands, forgo any concern with private capital outflows and at the same time protect the short term position of the dollar. We simply cannot discharge our present responsibilities under the rules of the international monetary system as it is presently constituted without taking into account what private capital flows do to our balance of payments.

Some of you may ask why we ask private companies and banks to moderate the outflow of their dollars abroad, on a short term basis, when, over the long pull, their investments will bring back earnings that benefit the balance of payments.

The answer is that we believe the immediate benefit to our balance of payments from a moderate rate of capital outflow in this period of pressure warrants

some loss of benefit in the future, when our overall balance of payments position is expected to be stronger. Let me give you a little of the background.

In 1958, the United States had what later turned out to be the first of a series of balance of payments deficits significantly larger than had been the case in earlier years. While our payments deficits had been averaging less than \$1 billion a year on both the overall and the official settlements accounting bases since 1950, in the three years 1958-1960 they jumped to an average of \$3.7 billion on the overall basis and to \$2.8 billion on the official settlements basis.

And, as the year ended, the leading European countries indicated that the postwar gap, between their need for dollars and their dollars resources, which our postwar payments deficits had been filling in, had largely been closed. They signalled the end of the famous "dollar gap" by making their currencies convertible. And they signalled the closing of the dollar gap in another way, by beginning to draw on our gold reserves, through conversions of some of their officially held dollars. United States gold reserves stood at \$22.8 billion at the beginning of 1958. Today, as a result of foreign gold purchases made possible by our payments deficits in the succeeding years, our monetary gold reserves have fallen to approximately \$13.6 billion. It should be noted, however, that we still hold approximately a third of the Free World stock of monetary gold.

In the years 1961-64 our deficits averaged four-tenths less than in 1958-60 on the official settlements basis and ran a third less on the overall basis.

This was accomplished chiefly by measures to reduce the net impact on our balance of payments of government expenditures abroad for military deployment and foreign aid, measures to maintain and improve our favorable trade balance, and to the increase in investment income from investments made in previous years.

The sum total of these improvements just mentioned would have nearly eliminated the deficit, if outflows from other sectors had remained unchanged. But increases in outflows elsewhere including, for example, increases in foreign bank lending, direct investment abroad and tourism, cancelled out a large proportion of the gains noted above.

The fact was that three-fifths to two-thirds of the problem remained. And, in 1964 and early 1965 an accelerating outflow of private capital, in the form of commercial bank and non-bank lending, purchases of short term securities and direct investment was wiping out these gains at an alarming pace, threatening to send the deficit to entirely unacceptable levels.

It became unmistakably clear that our balance of payments program would have to confront the outflow of private capital. Through an extensive series of deliberations that included the highest levels of government, and consultations of government with business and financial leaders, a program for doing this was devised meeting all of the following criteria:

1. It should diminish the immediate impact of the outflow of private funds upon our payments balance.
2. It should be consistent with preservation of the nation's economic effectiveness and its economic freedom.
3. It should aim at a solution without disrupting international trade or economic development, especially in the less developed countries.

The product is President Johnson's voluntary payments program announced a year ago February and strengthened and refined for 1966. In this program commercial banks—under the guidance of the Federal Reserve—were asked to restrict their loans to foreigners within reasonable limits, to give first priority to funds for export credits, and second priority to loans to less developed nations. United States industrial enterprises—under the guidance of the Commerce Department—were requested to moderate the outflow of capital and undertake a range of voluntary efforts to improve the effect of their transactions upon the balance of the nation's foreign accounts.

Under this program, the business and banking communities retain full discretion for the conduct of their affairs, weighing their own business considerations together with the broad national interest of which they and their businesses are a part. Private enterprises are asked to cooperate, and to report on their progress. There are no mandatory conditions or penalties in the program.

Let me make it clear that we fully recognize the fact that direct investment abroad ultimately returns handsome dividends to the United States in the form of repatriated earnings.

The problem very simply is that we cannot wait for the long run.

Investment outflows have been growing too fast in relation to the inflows they generate in the short term period. We cannot sit and wait for the return flows to mount, for in the meantime there would grow abroad an ever-rising tide of short term liquid claims on us—claims that could seriously endanger the dollar and touch off a whole series of disastrous consequences that would affect all aspects of our nation's position in the world.

Another fact of critical importance here is the fact that in recent years some of the surplus countries—notably France—of continental Europe have made quite clear their unwillingness to accumulate more dollars without exchanging them for our gold. Under such circumstances, the United States and the existing Free World monetary system cannot afford continued deficits in the U.S. balance of payments because that would mean the continued erosion of our reserves.

We have asked, therefore, that—for the time being—corporations maintain the outflow from direct investment at an amount which our balance of payments can safely absorb.

Let me emphasize, as I have before, that these restraints are temporary measures, and are not designed to be of protracted duration. They are required to alleviate a serious and current problem. They are not viewed as a permanent solution.

In the meantime, we need the voluntary programs.

The stakes are high. They involve not only the best interests of the nation but the best interests of all who do business abroad. For the strength of our dollar, and the strength of our nation, and the strength of the international monetary system, is their strength as well.

Nor need our businesses and financial institutions feel they are carrying the burden alone. They are only being asked to bear a share of the burden that the government bore—more or less alone—for many years. As President Johnson made clear—in connection with the intensified balance of payments program for 1966 announced last winter—in the five years after 1960 intensive government effort resulted on an approximately 40 percent reduction in the balance of payments costs of military spending abroad—despite rising costs overseas, the requirements of the Berlin build-up in 1962 and of the struggle in Vietnam. That effort also resulted in a full 50 percent reduction in the net balance of payments impact of foreign assistance. At the same time, we recognize—and all must recognize—that we cannot in the near future expect large savings in this area, whose potential for savings we have already so thoroughly explored and in such large measure exploited, and where the defense of freedom in Vietnam is raising the foreign exchange costs of the government this year.

During the five years, 1961 to 1965, the net outflow of *private* capital for direct investment *rose* from \$1.6 billion to \$3.2 billion, an increase of 100 percent, that adversely affected our balance of payments by \$1.6 billion. The outflow of bank capital doubled from \$1.2 billion to \$2.5 billion in the four years from 1960 to 1964.

It is not an answer to the problem to say that income from private foreign investment was about four-fifths as large as private investment outflows. What we need—temporarily—is a much more favorable relation of *current* investment outgo and income from *past* investment.

We must, therefore, in the words of President Johnson—and I quote:

“... reject the counsel of those who would have the government do the entire job, at whatever cost to American security and leadership. It is private outflow that has grown so sharply since 1960.”

Nevertheless, we are not resting on our laurels in this respect. As recently as March 8, President Johnson told Cabinet Officers and the heads of government agencies in a public memorandum that:

“... the requirements associated with Vietnam, both for military and for economic assistance, now demand even greater vigilance in controlling our overseas Federal transactions.

“Your objective should be to maximize receipts and minimize expenditures abroad consistent with the achievement of U.S. objectives.

“I have instructed the Director of the Bureau of the Budget to examine your reports carefully and to inform me of the progress which is being made by each Federal agency in assisting the Nation to achieve equilibrium in its balance of payments.”

Thus, we must understand that, while the government can and will hold to its essential minimum the dollar drain through military and aid expenditures abroad,

the overall dollar costs of those programs must be measured by the value of the national purposes they serve. And when those purposes are well served, when the security of the nation is advanced—then we are all well served.

And, as I have made clear, one of our greatest benefits from our foreign programs—benefits in which the business and financial community most abundantly share—is the maintenance abroad of the broadest possible areas of opportunity for free enterprise. Ours is an interdependent world, and interdependence has its costs. We must be prepared to meet those costs, for only by doing so can we keep the world safe and strong for free peoples and free enterprise.

#### THE BALANCE OF PAYMENTS PROGRAM AND FOREIGN TRADE

There remain for discussion several aspects of one other major element of the balance of payments situation of mutual concern to business and government—the relationship of foreign trade to our balance of payments program and vice versa.

Let us begin by getting a perspective on the importance of foreign trade to a solution of our balance of payments problem.

Had our merchandise trade surplus—this excludes shipments of military goods—remained in 1965 at the \$6.7 billion total achieved in 1964, the United States would have had a surplus in its balance of payments exceeding a half billion dollars in 1965.

But, the merchandise trade surplus in 1965 declined to \$4.8 billion, or nearly \$2 billion less than 1964, and the nation had a \$1.3 billion balance of payments deficit.

The fact that this drop in our trade surplus occurred in the first year of the voluntary program has given rise to the assertion or inference on the part of some that the restraint on investment under the voluntary program adversely affected our trade surplus by reducing exports.

But, what are the facts?

—Let me note that throughout, here, we will be talking about merchandise exports, excluding military shipments.

*Fact Number One* has already been mentioned, but it bears repeating. *Fact Number One* is that the voluntary program does not reduce overseas investment. Instead, the voluntary program provides for large increases, amounting in the case of direct investment to an annual rate 30 percent above the yearly direct investment outflow in the years 1962 through 1964.

Thus, to the extent that American investments abroad generate American exports, the annual investment increases under the voluntary program will tend to increase our trade surplus.

*Fact Number Two* has to do with the correct use of the trade and investment figures. It is true that our trade surplus was lower in 1965 than in 1964. But several other truths should also be noted. Overseas investment rose during 1965 by nearly \$900 million. That was by far the largest direct investment increase in many years. And, it was more than twice the size of the direct investment increase in 1964, when we had an extraordinarily large increase in our exports.

This should make us chary of trying to relate either the voluntary program or overseas investment to our trade results. We see exports increasing by no less than 14.6 percent in 1964, when there was no voluntary program and when direct investment went up by \$401 million. But—exports rose only 3.9 percent in 1965, when there was a voluntary program, but when direct investment rose by \$890 million, a record for any recent year except 1956.

*Fact Number Three* has to do with the relation between the bank lending portion of the voluntary program and our trade results.

Data collected by the Treasury Department on long term bank commitments for financing U.S. exports were over \$20 million higher in the last three quarters of 1965, after the voluntary program was initiated, than in the comparable period in 1964.

Further, the Treasury made a special survey of export financing. A very great majority of the respondents said that export financing did not become more difficult after the voluntary program went into effect.

*Fact Number Four* concerns what is currently happening to our trade, with the voluntary program still in effect, and, indeed, considerably tightened by comparison with the 1965 program.

In the first three months of this year our exports rose to an annual rate \$3.5 billion higher than in 1964, our best trade year.

*Fact Number Five* has to do with why, in reality, we had a much lower trade surplus in 1965 than we had in 1964.

It should first be noted that our \$6.7 billion trade surplus in 1964 was by all odds the highest in any recent year, partly because of unusual factors. The 1965 surplus of \$4.8 billion was nearly \$2 billion lower than the 1964 figure. But by comparison with other recent years, and with the average of our trade surpluses since 1960, our trade result in 1965 shows up much better.

The 1965 trade surplus, for instance, was only some \$284 million lower than the surplus for 1963. It was \$362 million *higher* than the surplus in 1962. And, the 1965 surplus was within 8 percent of the six year average, 1960-1965.

Second, we did not get a repetition in 1965 of the very large agricultural exports which were a main factor in creating the extraordinary 1964 surplus, and which in turn was due to bad harvests in Europe, and wheat purchases by the Soviet Union.

Third, in 1964 our export markets were experiencing better times, economically, than they did in 1965.

Fourth, exports did rise in 1965, by approximately 4 percent. What chiefly narrowed the 1965 trade surplus was a huge rise of imports, which increased by no less than 15.6 percent. The rise in imports is of course in no way attributable to the balance of payments program moderating overseas lending and investment.

Finally, anticipation late in 1964 of a dock strike early in 1965—which did come about—probably inflated 1964 exports by nearly a quarter of a billion dollars and reduced 1965 exports by a like amount.

More could be said on this subject, but I think there is no need, until this rumor raises its mistaken head again. When it does, I hope that you will be watching for a new edition of this facts and figures truth bulletin about the relationship of our balance of payments program to our international trade.

But—the fact that there is no evidence that our exports were significantly affected by our balance of payments program is by no means the same as saying that we are not concerned about the growth of our trade surplus. We are concerned, indeed. We have been careful to try to learn the facts that I have just been over with you not because we want them to win political statistics-slitting matches, but because we need them to try and find a cure. The situation boils down to this:

Although exports are increasing, imports are increasing faster. This was true in 1965, when imports rose by nearly 16 percent, while exports rose only a quarter that much. And there is a slight trend in this direction when recent years are averaged.

For the first quarter of this year, imports on an annual rate basis increased about one and a half times as fast as exports. But this does not necessarily predict the entire year. For instance, to note what can currently only be taken as a straw in the wind, in March exports were higher than imports.

Nevertheless, it is obvious that the answer to avoiding a shrinkage in our trade surplus lies chiefly in getting our exports to assume a more favorable relationship to our imports.

We are moving to do so.

We are holding to our positive, competitive ways. Our chief weapon will continue to be the competitiveness and good balance of our own economy, which means an economy capable of producing all the goods we need for ourselves and at the same time to satisfy all foreign orders—orders for exports—on schedule and at world competitive prices.

This brings us back to the fact that wherever we turn in our foreign economic problems, we come face to face with the fact that they will be solved in the end, and for the long run, chiefly by reason of the vigor, productivity and balance of our domestic economy.

And that brings us to the fact that for many years now we have been fostering the conditions in our domestic economy that will make us strong in the international economy. While most public attention has been given to measures that resulted in increasing demand, I wish to emphasize the measures we undertook—early and vigorously—to ensure increases in capacity, increases in productivity and reductions in cost. I refer to the domestic measures with which you

are familiar—tax reduction, depreciation reform, an investment tax credit and reduction in corporate taxes—all designed to put the highest productivity tools into the hands of American workers and American management, plus massive programs to upgrade the training of our workforce so that it can make full use of these tools.

That is, while we were moving through tax reduction and other means to stimulate demand to the point where the American workforce would be fully employed, we foresaw that when that happy condition arrived it would be self defeating unless we had also moved in good time to stimulate commensurate growth of capacity to satisfy demand, by means of adding to productive capacity, and adding to productivity.

To the extent that the rise of imports is due to the increasingly fuller use of capacity and available manpower in this country, the steps we have taken to permit and encourage our capacity to produce to keep pace with the growth of demand should reduce our relative need for imports, and reduce their competitiveness in the American market.

We are continuing to work on the other side of the scale, by attempting to increase our exports. The tremendous recent growth of capital investment in the United States has increased our ability to produce for export and, by raising productivity and lowering costs, it has increased the ability of our exports to compete in foreign markets.

Mr. Harold Linder has just announced a long list of adjustments in the policies of the Export-Import Bank, which he heads, to make the financing of American exports more convenient and less costly.

The Commerce Department is working with American companies in a program designed to bring the American producer and the foreign importer together, and to assist the American producer to make, package and deliver his product in the most effective way for sale in a foreign market.

The Secretary of Agriculture is looking for ways to push our foreign sales in his very important sector.

#### CONCLUSION

Basically, however, as I have said, the solution with respect to the trade balance is the same as it is for the balance of payments as a whole: a strong, growing, high-productivity, competitive economy in which the forces of demand and of supply are well equated, and where the private sector and the government both take a responsible view of the importance of avoiding inflationary policies or actions.

That is the kind of economy we have in the United States. That is why I am confident that we can look forward to an improving trade balance as one of the main elements in the long term solution of our international payments problem.

This is not the only reason, however, for thinking that the United States balance of payments deficits are no more necessarily permanent than the famous dollar gap, which, as we have noted, suddenly vanished at the end of the 1950s, although it had been pronounced quite permanent by almost everybody.

There are a number of reasons, in addition to the trade prospects, for keeping it in mind that our balance of payments problem will not necessarily be with us forever, or even for a long time, just because it is so often said that it might.

For one thing, very substantial progress towards elimination of our payments deficit has been made. The deficit was reduced by \$1.5 billion, and totalled, for 1965 as a whole, \$1.3 billion on the overall, or liquidity, accounting basis. This was the smallest deficit since 1957 and was less than half the \$3 billion average deficit on this basis in the seven years 1958 through 1964.

Today, the chief imponderables are the direct foreign exchange costs, and the indirect effects upon our balance of payments of the fighting in Vietnam. That is a problem which—God willing—will not always be with us.

Secondly, there are signs that the rate of profits on direct investments in Europe is not as large as it was only a few years ago—signs even that it is now not very much higher than in this country.

Third, the balance of payments program itself is tending to cause improvement in another highly important sector: the capital markets of many other industrialized nations. With the dollar outflow moderated, and with American corporations actively seeking funds abroad, foreign capital markets are finding more depth and resilience than they thought they had. I think that we can look forward to a permanent improvement in foreign capital markets that in turn reduces the need for measures on our part to guard against over-dependence upon our capital market. Incidentally, we are hopeful that from the OECD (the Orga-

nization for Economic Cooperation and Development) there will be forthcoming, a report on this subject of long term significance.

Further, we are nearing the final stages of a process by which we hope and believe that the entire Free World monetary system will be improved by the introduction of means for increasing the speed and smoothness with which the system is able to adjust balance of payments deficits and surpluses, and, when needed, put new international reserves into circulation.

Consequently, to those who say that the moderation of the outflow of dollars that is unavoidably a part of the current balance of payments picture is something that has come to stay, I say that there are many good reasons to conclude that such is simply not the case.

I am certain that we shall continue to have your ready cooperation in bringing our payments into equilibrium so long as forces beyond our immediate control require it. You may be equally certain that as soon as the more enduring measures that we have been discussing make it possible to dispense with the voluntary program for moderating our capital outflow, that will be done.

Senator GRUENING. Thank you very much, Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

Senator JORDAN. Mr. Chairman, I have a copy of a letter here which Henry L. Day, president of the Day Mines, sent to Senator Gruening. I see Mr. Day is here. I am hoping he will have a statement. If not, I will want this letter introduced into the record.

Also, one by Mr. A. J. Teske, Secretary of the Idaho Mining Association.

Senator GRUENING. They will be put in the record, and we shall be glad to hear Mr. Day in addition.

(The data referred to follow:)

DAY MINES, INC.,  
Wallace, Idaho, April 30, 1966.

Hon. ERNEST GRUENING,  
*Chairman, Subcommittee on Minerals, Materials and Fuels, Senate Committee on Interior and Insular Affairs, Washington, D.C.*

DEAR SENATOR GRUENING: For the record of the hearing your Subcommittee is holding on Wednesday, May 4th, I am pleased to submit this statement based on forty years' experience in the operation of small to medium sized gold, silver, lead and zinc mines in the Pacific Northwest.

The Senators comprising your Subcommittee are well aware that nations, world-wide, are adding to their gold reserves to the greatest extent possible. Also, that our country is gravely concerned by the steady erosion of the federal monetary gold reserve (in fact, Congress lowered the legal requirement behind our paper money to permit further withdrawals), and persons, also world-wide are accumulating gold where permitted and hoarding it where not permitted, and clamoring for more. Consumption in the U.S. is substantially in excess of production. Yes, there is an unsatiated demand for this metal at a time when straight gold mining is not far from extinct.

Our gold mining industry has faced an intolerable condition ever since the end of World War II. The price of its product has remained constant at \$35 an ounce ever since that figure was established by President Franklin D. Roosevelt in 1934, whereas every cost item has increased several times over.

Consider briefly wages and salaries, which in our underground mines in the west approximately 60% of total mining and milling costs. In 1934 underground wages in the west were on the order of \$4 per shift and no fringes; in 1937-39, \$5-\$6; in 1946, \$6-\$10; and today with fringes and with incentive or contract additions they approximate \$32 daily. With 10% losses of gold in concentrating and smelting, it today takes an ounce of gold in the ground to pay a miner for a shift's work. Thirty years ago, it took only one-seventh of an ounce. And do remember labor is 60% of total cost.

With simple economics so drastically against U. S. gold producers, it is self-evident that the industry needs help and the only one who can supply it is the one who pegged the price at \$35 an ounce—the U. S. Government.

Your Subcommittee is considering two bills which would provide Federal subsidies and one which sets up a Select Committee to study gold mining. Certainly such a task is long overdue, and S. 83 would provide a prompt study, then I am for it. However, financial action is the dire necessity.

S. 1377 is a parity-type bill to equalize 1939 costs with those of 1966. I endorse this measure in principle as it would give to each according to his need, which requires complex individual analyses, especially for those mines which were not operating in 1939 or even before World War II. If a simpler method of computing "parity" can be worked out, then I am for such a bill.

S. 2652 provides an annual subsidy of 5% of gold output for operating mines and an incentive of 125% for five years to new mines to start and old mines to resume production. Certainly this subsidy formula has the feature of simplicity. The spur to new production for five years may start mining in many instances, but I believe mining would cease in five years as 5% assistance is not nearly enough to keep this type of producer operating at a profit.

Neither do I believe 5% subsidy is nearly enough for the small segment of gold mines now operating. "Emergency Gold Mine Assistance" in Canada is based on individual mine net operating profit or lack of it, averages more than 15%, is provided by statutory formula, and has an approximate maximum of 35%.

My conclusion is that gold mining desperately needs federal help and that Congress should concern itself immediately with providing that help.

Yours very truly,

HENRY L. DAY, *President.*

STATEMENT OF HENRY L. DAY, PRESIDENT, DAY MINES, INC., WALLACE, IDAHO

My company, Day Mines, Inc. is engaged with others in the operation of two underground gold mines in the State of Washington, which were ranked third and tenth in 1964 by the U.S. Bureau of Mines amongst leading gold-producing mines in order of output. Washington itself is amongst the first half-dozen principal gold-producing states, and in underground production is second only to South Dakota (the leading state) with its great Homestake mine.

Personally I have had 40 years experience in the operation of small to medium-sized mines, primarily lead-zinc and silver producers in the great Coeur d'Alene District of Northern Idaho. While my own State of Idaho ranks high in the production of these three metals, its gold output is very small, mostly incidental to base metal production. The type of underground mining utilized is about the same, irrespective of which metal is sought.

The members of the Subcommittee are well aware that gold as money is in short supply internationally (as in your pockets and mine) and that nations are striving to increase their gold reserves at the expense of other nation's strong-boxes, giving rise to a condition described as "illiquidity" by international bankers and monetary economists. (Illiquidity is not confined to nations, either).

Gold production of the free world nations increased in 1965 by about 3% over that of the preceding year to a total of 41 million ounces, valued at \$1.44 billion. U.S. production increased by 11% to 1.7 million ounces, about 4% of that of the free nations, and probably less than 3% of entire world production if Soviet Russia's were included.

The U.S. overall balance-of-payments deficit declined in 1965 to \$1.3 billion as contrasted to \$2.8 billion in 1964. Nevertheless the gold holdings of the U.S. Treasury dropped nearly \$1.7 billion in 1965, and the monetary reserve stood at \$13.8 billion at year end. Approximately \$9 billion were required for statutory backing of Federal Reserve Notes, our predominant paper money in circulation today. So-called "free gold" was then \$4.8 billion, against which there were outstanding short term credits to foreigners of \$25-\$29 billion or more, as authorities seem to disagree.

Including Russia's sales of gold in 1965 it has been estimated that \$1.7 billion in new gold was available to the world, that less than \$200 million went into monetary reserves, that \$400 to \$500 million were absorbed by industry and the arts, and that therefore more than \$1.0 billion were hoarded or otherwise sequestered. Franz Pick says that last year Western Europe hoarded \$800,000,000, and Asia and Africa together, \$300,000,000.

In the United States alone in 1965 its industry and arts consumed 5.0 million ounces of gold, net, or \$175 million's worth. This figure is three times the U.S. production of 1.7 million ounces.

It is evident to me, and I trust to members of this Subcommittee, that there is a world-wide shortage of gold for all purposes, and that gold mining in the United States consequently deserves special attention. The economics of the industry were most favorable during the six years following the "pegging" of

the price by President Franklin D. Roosevelt in 1934 at \$35 per ounce. Gold mining thrives in depression years, and those were greatly depressed times. Wages and all other items were low in cost and available in abundance and the market price was at an historic high. These first conditions reversed themselves during World War II, and gold mining has been a most difficult business ever since.

Figures are available from the U.S. Bureau of Mines for the gold mining industry in 1939 and 1964, which show how the nature of production changed in a quarter of a century. First the volume was down as production decreased from 4½ million ounces to 1½ million. Second, the source of production shifted from those deposits (excluding dredging) from which gold was the major metal sought by underground means, to large open pit copper and underground lead-zinc-copper mines, where gold is found as a relatively unimportant byproduct. While the Bureau of Mines altered its basis of listing from "largest producers" in 1939 to "size by mine" in 1964, the résumé below of the 25 largest gold operations each year illustrates the decline of the "gold mine":

Type	Number listed as "producers" in 1939	Number of mines listed in 1964
Underground "straight" gold.....	15	5
Dredging.....	4	7
Open-pit copper.....	2	6
Underground copper.....	3	2
Underground lead-zinc-copper.....	1	5
Total.....	25	25

In our underground mines in the West labor costs comprise about 60% of total mining and milling costs. In 1934 the underground wage was not much more than \$4 per shift and entailed no fringes; in 1938-39, it had increased to \$5 or \$6; in 1946, to \$6-\$10; and today in 1966 with social-medical fringes plus incentives, the wage amounts to approximately \$32 per day. The mine operator of thirty years ago could pay for a day's work with one-fifth of an ounce of gold; today, he must shell out nearly one ounce of the precious metal!

I will not take time to enumerate statistically the increases in prices of everything the miner consumes. You may take my statement for it that since the gold price was first set at \$35, mine machinery and equipment, timber and explosives, pipe and rail, drills and steel, diamond drilling, milling supplies, are up 3-fold to 5-fold.

How then can this imbalance, this squeeze between prices and cost be overcome? The federal government, which maintains the price at \$35, must in some fashion equalize the disproportion.

The Subcommittee has for consideration H. R. 10924 and companion measures, which provide an extremely modest 6% subsidy of gold sales to present gold producers (as properly defined) with annual escalation based on the Consumer Price Index, and a 125% subsidy over five years for newly initiated production. You are also considering H. R. 799 and similar bills, which are parity-type measures to revitalize the industry through provision for federal compensation for the individual difference between costs per ounce of gold in 1939 and costs at the present time (or to reconstruct this latter basis, if necessary), giving to each according to his need. Certainly, such assistance is urgently required and should be provided as soon as a precise method of calculation can be determined, such as is found in Canada's Emergency Gold Mine Assistance Act. However, I, for one, suffered adverse experience in World War II when the Premium Price Plan for Copper, Zinc and Lead attempted to establish federal bonuses for each producer according to what assistance the P.P.P. "boys" in Washington, D. C., thought appropriate. The late Senator James Murray, then chairman of the appropriate Senate Committee, found this out in August, 1945, when he presided over hearings on the subject in Helena, Montana.

From experience, I am fearful that any measure adopted which provides for very wide discretion of an administering agency, falls sooner or later from inequities amongst recipients. However, H. R. 799 is correct in principle and with more automatic administration, would solve the gold miner's problem.

Returning to H.R. 10924, certainly an increase of 6%, through federal subsidy to straight gold mines, would be very helpful yet it would not necessarily keep all present underground mines in operation. Some need more aid and very prompt aid immediately, in excess of 6%. I do believe that 6% is less than

one-third of the average help provided to some forty gold mines by Canada's E.G.M.A. and certainly far less than the maximum of 30%. Even in the Dominion a large majority of gold producers are finding the going rough, and probably rougher in the future, as they will have to meet recent wage increases granted by copper mines. Copper, as you all know, is in a price situation equivalent to \$100 gold.

It is extremely difficult to predict what new employment and new production might eventuate from a gold subsidy. Axiomatically, the greater the assistance, the greater the results. This country's precedent-making experience with a war time price of \$8 per pound for  $U_3O_8$ , developed a great uranium industry, almost overnight, starting from scratch.

I regret that there is not much historical information available to provide a background for an estimate of what increase might take place in the State of Washington's gold mining industry if subsidies are provided. So I can make no state-wide predictions. The situation is much different with respect to Idaho and some approximations have been made by several persons whom I regard as qualified.

The demand for gold during the Civil War caused Congress to make a Territory out of Idaho in January, 1863, so that amongst other reasons, law and order might be preserved. (President Abraham Lincoln signed the enabling act). During the decade 1861-1871, my State produced approximately 4,000,000 ounces of gold by placer mining. This was an average of 400,000 ounces annually, or \$14,000,000 at the present \$35 price.

Current Idaho production is only 5,000 ounces or so annually coming as a by-product of base metal mining. With a 125% subsidy for five years, gold mining perhaps could be stimulated to 150,000-200,000 ounces yearly, employing 1,500 men. A subsidy of 200%, which I personally consider appropriate for new production might bring the output to that of Civil War times, 400,000 ounces annually, and utilize the labor of 3,000 employees.

I am appending a concise memorandum on Idaho's gold industry, recently prepared by Secretary A. J. Teske of the Idaho Mining Association after a preliminary survey of the State's resources.

My conclusion is that the gold mining industry desperately needs the help afforded by the two types of bills before the Subcommittee, and that it cannot survive much longer without such assistance. I contend that a "gold mine" is not a gold mine today in the usual sense of the phrase; the reason being that \$35 gold does not meet the cost of mining.

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#### STATEMENT OF A. J. TESKE, SECRETARY, IDAHO MINING ASSOCIATION, BOISE, IDAHO

The decline of gold mining in Idaho is another stark illustration of the inexorable pressure of rising costs of production against the fixed ceiling of a government-sponsored price.

The wealth of Idaho's gold resources are in large measure responsible for its existence as an independent territory and state. These resources brought the first rush of pioneer miners and settlers in 1860-61 and they were the mainstay of the pioneer economy through territorial status to eventual statehood in 1890.

In the more than 100 years that have elapsed since the initial gold rush to Idaho in the early 1860's, the state has produced more than 9,800,000 ounces of gold according to reliable estimates. This has a value of more than one-third of a billion dollars at the present price of \$35 an ounce.

More than 40 percent of this gold yield is credited to what has been called "The Golden Decade" from 1861 to 1871. This took much of the cream from the stream placers but left vast quantities of workable gravels and quartz lodes.

Quartz mining, hydraulic operations and dredges sustained the industry for the next 70 years from 1872 to 1942 and added more than 5,000,000 ounces to Idaho's production.

The industry thrived and survived through a series of economic cycles, but declined to a low ebb in the mid 1920's when a previous effort was made by the government to maintain an unrealistic monetary price of \$20.67 an ounce. These efforts proved futile and in 1933 the price of gold was raised to \$35 an ounce. Idaho production promptly soared to nearly 150,000 ounces annually in 1940 and 1941, the highest level since the "Golden Decade" of 70 years earlier.

Then came the now-famous gold mine closing order of October, 1942, which literally sealed the doom for the gold mining industry in Idaho. There was some brief recovery when the closing order was rescinded after World War II, but

the error of trying to retain a pre-war price through war-time and post-war inflation was repeated. The squeeze between rising costs and a fixed price put the gold mines out of business.

Today the gold mining industry in Idaho is non-existent. Current production is at the rate of about 5,000 ounces annually and most of this represents by-product recovery from base metal ores.

But this is by no means a valid measure of Idaho's potential and capabilities for gold production. It is the consensus of geological opinion that Idaho still has substantial quantities of gold resources that can be successfully worked if the price which producers received for their gold was reasonably commensurate with the greatly inflated costs of production—labor, supplies, equipment, taxes, etc.

It has been estimated by competent mining authorities that a return of \$70 to \$80 an ounce could be expected to increase Idaho's production to between 175,000 and 200,000 ounces annually and sustain an industry employing 1,600 men. At \$100 an ounce, yearly production of more than 350,000 ounces, with 3,000 men employed, might be anticipated.

Reliable information has been obtained with regard to specific new production which an improved operating climate might bring in two districts in Idaho. One is in Valley County where there are said to be very considerable tonnages of open pit gold ore, marginal at \$35 an ounce, but which with a 125% subsidy would become profitable. This deposit is thought to be sufficient in size to yield 2,400 tons per day at 0.095 ounces per ton gold content (\$7.30 gross), with an output of about 50,000 ounces per year for 18 years. Manifestly, this operation would not continue after five years if the subsidy were much less than 125%.

The second area is along the headwaters of the South Fork of the Boise River, where known, very low grade lode ores might return only 5,000 ounces per year with a 125% subsidy, but which would yield 70,000 ounces or so per year with a 200% subsidy.

These two isolated examples are representative of other typical gold areas in Idaho, considered to be responsive to production if the price-cost squeeze were eliminated. They are probably also typical of very many dormant districts in several other Western States. California's Mother Lode country comes to mind; it should become a veritable beehive of activity. Colorado would respond generously and so on; the list of districts is too long to enumerate in this statement.

Senator GRUENING. Our next witness is Mr. Lloyd Moss. Proceed, Mr. Moss.

#### STATEMENT OF LLOYD HAROLD MOSS, OATMAN, ARIZ.

Mr. Moss. Mr. Chairman, members of the Subcommittee on Mines and Mining, my name is Harold Lloyd Moss. I was born in Lovelocks, Nev. The usual case is you state where you were born.

Education: Grade Schools in the United States of America—Oatman, Ariz. (World War I) and Canada; high school in Santa Barbara, Calif.; University of Nevada, Mining, and Aggie.

Member of Oatman-Goldroad Chamber of Commerce, Bullhead City Chamber of Commerce, and Mohave County Chamber of Commerce. Member of Arizona Small Mine Operators and, foremost, a member of the "Ragged Ass" Miners of Colorado Mining Association.

I am President of two mining companies with silver and gold properties in Arizona—the Silver Creek Holding Co., not in operation; and the Silver Creek Grubstake Corp., not in operation—and owner of a hotel in Oatman, Ariz.

It is ironical that it was the gold and silver produced in Mohave County in the 1860's of the 19th century, during the Civil War period, that contributed to the preservation of our Nation. Gold and silver of Mohave County were called upon again after World War I to bolster up our Government, the world-weakened financial status, and the unemployment of a poverty predicament confronting us in the 1920 era. At this time, Oatman had a floating population of 10,000 to

20,000 people and no local poverty problem. Oatman had three big mines with three mills, making world monthly million dollar gold production records with a dozen more smaller producers, potential big producers, shipping to a custom mill.

From 1934 to 1935, the price of gold was raised to \$35 per ounce from \$0.67 per ounce, to overcome the depression, the crash of 1929 or 1930. Again, Oatman and Mohave County were called upon to re-open their gold and silver mines. You must remember that the mines were "hi-graded" of their richest ore at the price of \$20.67 per ounce. Oatman population, reduced to 100, bounced back to approximately 3,000 population in that period.

In 1942, World War II witnessed one of the most stupid decisions enacted in our Nation's history. It was an order, L. 208, to close all gold mines in the United States of America. The so-called purpose was to force all miners into strategic mining of copper, lead, zinc, tungsten, iron, quicksilver, potash et cetera.

Most of the gold miners ended up in the shipyards where wages were doubled and tripled to that of mining wages. The wages for miners was \$1 per hour and muckers and laborers were 50 to 75 cents per hour. In the meantime the eggheaded paper economists, the so-called raw deal whiz kids of FDR's regime, bought up, for 10 cents on the dollar, most of the gold and silver mining equipment and milling equipment and gave it to Russia, which they called lend-lease and foreign aid. Today, the result is that Russia produces five times more gold than the United States of America. Prior to the price of gold being raised in 1934 to 1935, all gold coins from citizens were called in at \$20.67, with Government threats of fines, jail sentences, et cetera. Now, in the 1950's, via radio, television and the press who helped the eggheads crepe hanging propaganda to depreciate the gold and silver backing of our currency and economy? The Treasury and Commerce Departments expound statements such as "Good as gold." We say "Nertz." History repudiated this grave mistake. Remember, it was gold that won over the tribesmen who helped win the North African campaign in World War II. Gold backed the Marshall plan to help the recovery of Europe after World War II, et cetera.

Need I say more in regard to the power of gold? There is not a person or egghead who wouldn't choose a \$5 gold coin in preference to a \$5 paper Treasury bill if placed side by side.

Let us explore further the rape and slow death of the dollar from the thirties on. The turning in of your gold coins to the Treasury. Then, the 1960's replacement of silver coins. In the 1950's, as the saying went, "The silver dime was our new American dollar after all the taxes were taken out." Now, in the 1960's, the saying goes, "The dollar isn't worth a cent; since that is the cost of the nickel-plated copper dime."

Historically, perhaps I should remind you of what happened to the Mediterranean politicians and kings in B.C. that replaced their silver coins with tin-plated copper coins. Within a year or two, they were beheaded when phony money, inflation, and taxes become prohibitive.

Today in the United States of America, the Federal, State, county, and city governments, businesses, citizens, et cetera, are \$3 trillion in debt. Is the dollar worth even a cent? Note this is "Our Great Society." The latest appeal comes from the United Nations, ad-

vocating a world revaluation of gold and silver for countries to help themselves finance the resources of underdeveloped countries. England will devalue the pound sterling before long, putting the dollar on the spot. Still the Treasury issues gold buyers' licenses to the artisan and jewelers at \$35 per ounce, to the tune of approximately three times our Nation's gold production of approximately \$60 million per year. Since 1942, approximately \$3 billion have been drained from the Treasury. What does a jeweler get for his product at blackmarket prices? At least three times as much.

Foreign liabilities, credits, et cetera, run approximately \$30 billion in the Treasury. Still the United States of America losses are approximately \$2 billion per year.

Canada, in 1948, recognized the value of keeping her gold mines operating. She not only paid a subsidy but gave three years' tax exemptions to new gold mining. The result was that it attracted billions of foreign capital and United States of America capital to finance Canadian mining. Today Canada produces approximately three times more gold than the United States of America. South Africa welcomes foreign capital on the same basis as Canada and produces 60 percent of the world gold production, approximately 15 times that of the United States of America.

Until a new world gold price is established, why not a gold subsidy for newly mined gold, no matter what percentage produced, even as a byproduct of any and all mining, and enhance all phases of mineral production, plus attracting billions of foreign capital to finance new mining in the United States of America. This will reverse the foreign credit balance in our favor.

Remember, it was a bonus (subsidy) for uranium that brought foreign and local capital to finance and develop production. A subsidy for gold mining is the answer to poverty, to relocate the Appalachia experienced miners which will produce new wealth and employment for millions, directly and indirectly, opening thousands of old and new mines.

Remember, from 1935 to 1942, thousands of mines had developed untold millions of tons of ore reserves. All kinds of light and heavy equipment factories, and every industry, will benefit from this gold subsidy.

Remember, a miner and laborer got three times the wages prior to 1942. Also, there is a great need for a longtime neglected Cabinet office, Secretary of Mining, to deal directly with our mining and mineral resources. This should settle the long sought answer to which comes first, the egg or the chicken. Mining is the chicken, agriculture the egg. Since "aggi" production could not succeed without farm machinery, equipment, and fertilizer, "nuff sed." But, don't forget mining is our first line of defense, financially and healthwise.

Therefore, I approve of bills S. 2562 and H.R. 10924. I am suggesting one change: Instead of a subsidy for no less than 50-percent gold content of the total value of all minerals, ores or concentrates; pay the subsidy according to per centum, regardless of gold content, in minerals, ores, or concentrates.

This is the real answer to the poverty programs, gold subsidy. Gold crisis is here.

I thank you.

Senator GRUENING. Thank you very much for this testimony which of course, reflects the views that the subcommittee shares and has expressed in the past. We are going to continue our efforts to see whether we cannot overcome this resistance.

Thank you very much.

Mr. Moss. I would like to say at this time, Senator Gruening, that we have in our particular property core drill, we have \$100 million worth of gold and silver ores. But the core drilling cost was very nominal compared to putting in a mill. Let me say that we have had many engineers from every country in the world—England, West Germany, Japan—seeking gold and silver properties, and quite a few from Canada. It is just a matter of giving us an incentive to encourage this foreign capital to come to this country, as was done in World War I.

Seventy-five percent of our gold mining and silver properties were financed and owned by foreign capital; during the period of World War II, 60 percent.

So it is just a matter of trying to reverse this outflow of capital and to have it returned to this country.

Senator GRUENING. Thank you very much, Mr. Moss.

Senator GRUENING. Now, we have Mr. DeWitt Nelson, director of the Department of Conservation, California.

Mr. Nelson, I am very happy to have you here. Do you have a statement?

**STATEMENT OF DeWITT NELSON, DIRECTOR, DEPARTMENT OF CONSERVATION, CALIFORNIA, ON BEHALF OF GOVERNOR BROWN**

Mr. NELSON. Yes, Senator.

Senator GRUENING. Will you proceed, please?

Mr. NELSON. Senator, I am very happy to be here.

I am DeWitt Nelson, director, Department of Conservation, State of California. Within the department of conservation is the State division of mines and geology, as well as several other divisions which are concerned with natural resources.

I am authorized to present the following statement on behalf of Edmund G. Brown, Governor of the State of California, in support of the principles set forth in the pending legislation designed to revitalize the domestic gold mining industry.

History of California's gold production—California has been known as a gold State for over 100 years. Because the Federal Government has been unwilling to recognize the cost-of-production increases by providing some form of relief over and above the fixed \$35 per ounce return to the gold miner, the people of California have been denied the employment and tax base so sorely needed in their mining communities. Failure to recognize these facts has forced the closing of mines and thrown 14,000 men out of work since 1940. This action or lack of action has created critical areas of unemployment.

Since 1848, the State has produced more than 106 million fine ounces of gold, valued at \$2.4 billion. These elements, Mr. Chairman, are supported by tables I have attached to my statement. Up until the early 1940's, gold mining was one of our major extractive industries. In 1940, our production from 1,802 mining operations was

1,455,671 ounces, valued at \$50,900,000, with 14,000 men working in the mines. This 1940 California production was about equal to the current annual production for the Nation. By contrast, our 1965 production was only 62,000 ounces, valued at \$2,170,000, with less than 100 men employed.

With the advent of World War II and the War Production Board Limitation Order L-208 of October 8, 1942, gold mining fell off sharply and has never recovered.

When the L-208 order was lifted on July 1, 1945, our major gold producer attempted a comeback and production hit a postwar high in 1950 of 412,118 ounces, valued at \$14,424,130. From then on, they were slowly suffocated by rising costs without a commensurate increase in the price of gold. The last major lode mine in California, the Original Sixteen-to-One Mine at Alleghany, was shut down in 1965.

Consequently, our major quartz mines are now filled with water, and in most cases the machinery and surface facilities have been dismantled and sold.

At the present \$35 per ounce price, there is no possibility for revitalizing the gold mining industry. All of our major mines are closed and will remain closed. Our present small production comes from three connected-bucket dredges on the lower Yuba River; a few scattered lode and placer operations employing a few men. Some by-product gold is recovered from a tungsten mine near Bishop; from small lead and zinc operations in the desert regions; and from sand and gravel plants in the Sacramento and San Joaquin Valleys.

*Distribution.*—Gold is widely distributed in California from the Klamath Mountains in the northwest, through the Mother Lode region of the Sierra Nevada Mountains to the Mojave and Colorado Deserts in the south.

My purpose today is to assure you of California's support for the enactment of legislation which will reactivate the production of domestic gold.

In light of the continued outflow of gold from the United States, and in view of the fact that the demand for gold by domestic arts and industries is more than twice the domestic production, it appears obvious that some form of assistance to the gold mining industry is timely.

In exploring the problem of stimulating the reopening of dormant mines, exploration for new ore bodies and the development of new mines always raises two questions:

1. Can appropriate assistance be provided that will not conflict with the International Monetary Fund; and
2. What magnitude of assistance is necessary to really stimulate exploration and production.

In response to the first question: It does not seem logical that foreign nations or bankers should object to the United States paying an adequate price for domestically mined gold to stimulate production to meet our industrial needs. Based on the formula set forth in the proposed legislation, it is difficult to see how such assistance may violate the Bretton Woods Conference agreement, or the International Monetary Fund, since this legislation does not propose to change the price of gold per ounce.

The second question, dealing with the magnitude of assistance, may vary by region, States, or even the type of mining operations. These

variations are automatically controlled by the formula set forth in the legislation. For example:

1. The proposed legislation provides a formula that retains the monetary price of gold at \$35 per ounce and authorizes an "assistance payment" of \$44 per ounce to producers who "shall be certified as being in conformity with the standards and eligibility requirements" set forth in the legislation. This would provide a \$79 per ounce payment to the producer. In California, this \$44 increase would undoubtedly stimulate exploration through the use of new modern devices and techniques now available. It would probably support new dredge operations and it certainly would increase the production from many placer and small pocket types of mines now being worked by two- to five-man crews.

2. It is doubtful, however, that the \$79 price would provide sufficient incentive to open our deep mines which, as I stated earlier, have been closed, are full of water and would require new mining and milling equipment.

Senator GRUENING. How much do you think it would require? What price would be necessary to achieve full production?

Mr. NELSON. I state that just a little further on, Senator.

Senator GRUENING. All right, proceed.

Mr. NELSON. It is impossible to predict the potential production and employment. The difficulty with such forecasting was dramatically demonstrated with uranium. When the need for uranium became evident, there was general agreement that the Nation had no substantial uranium ore bodies. However, with an incentive price, large ore bodies were found and developed. Today, we have an abundance of this essential mineral. It is reasonable to assume that new ore bodies of gold can likewise be found with today's advanced technology. There must, however, be an incentive.

Problems of reopening dormant mines.—To reactivate most of the deep mines, some of the problems that must be met are:

1. With the available power supply it may require up to 2 years to dewater some of the mines.
2. Time will be required to rebuild and equip both their surface and underground facilities.
3. Additional exploration, using modern techniques, will take time.
4. It may be desirable for economy of production purposes to tie a group of small- or middle-sized mines together so they could be worked from a single shaft and milling facility.

In addition, the development of venture capital will take time and an assurance of long-term stability in order that investments may be reasonably amortized.

The legislation, as presently drafted, does not provide sufficient time to recapture the capital investment because of the extremely high costs involved in the dewatering and equipping of presently dormant deep mines.

If we are to achieve a substantial increase in production—say, enough to meet the commodity needs of the arts, crafts, and industries—we should consider a more realistic price, something like \$100 per ounce. I think that is the question you were raising.

Further, to meet the requirements of the gold mining industry, which is confronted by a controlled market price, favorable interest money and a realistic amortization period are essential.

If the commodity users of gold are charged the base price of \$35 plus the "assistance price" of \$44 for a total price of \$79, the program should be largely self-supporting.

As indicated in exhibit I and exhibit III, California's gold-bearing areas are located in most of our mountain counties. Most of these rural areas have severe unemployment problems. Our primary gold-bearing counties, at best, have a narrow tax base because of the preponderance of federally held land within their boundaries. Consequently, they are hard pressed for adequate tax bases to support schools and other essential public services.

Revitalization of the gold mining industry will help solve many of these problems.

In summary, we believe legislation that will provide both the lead-time and financial support necessary to revitalize the gold mining industry is in the public interest, not only in California, but nationally. (The tables referred to follow :)

EXHIBIT I

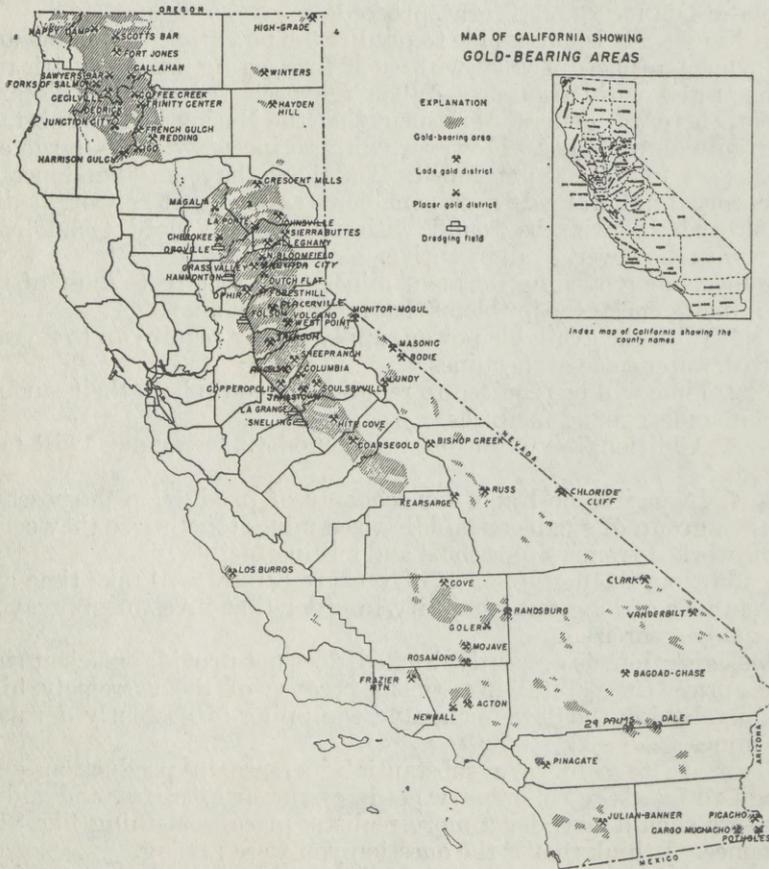


EXHIBIT II

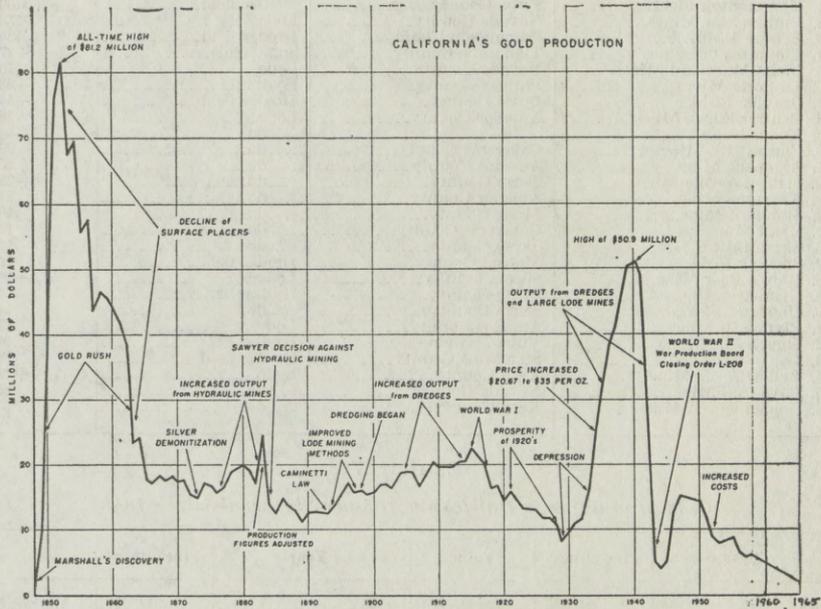


EXHIBIT III

Estimated gold production by counties in California, 1848-1965

County:	Production (millions)	County—Continued	Production (millions)
Alpine	\$4	Nevada	\$440
Amador	200	Placer	120
Butte	150	Plumas	105
Calaveras	150	Riverside	7
Del Norte	2	Sacramento	135
El Dorado	110	San Bernardino	20
Fresno	4	San Diego	5
Humboldt	5	San Joaquin	5
Imperial	12	Shasta	60
Inyo	14	Sierra	150
Kern	65	Siskiyou	100
Lassen	4	Stanislaus	14
Los Angeles	5	Trinity	75
Madera	6	Tulare	1
Mariposa	60	Toulumne	190
Merced	17	Ventura	3
Mono	38	Yuba	145

Other counties that have yielded some gold are Colusa, Mendocino, Modoc, Monterey, Napa, Orange, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Sonoma, Tehama, and Yolo.

## EXHIBIT IV

*Major California mines and their gold production*

Name	Location	Type	Total output (millions)
1. Hammonton Field	Yuba County	Dredge field	+ \$130.0
2. Empire-Star Mines	Nevada County	Lode	130.0
3. Folsom Field	Sacramento County	Dredge field	125.0
4. Columbia "diggings"	Tuolumne County	Small scale	+ 87.0
5. Idaho-Maryland Mines	Nevada County	Lode	70.0
6. La Porte Mines	Plumas County	Hydraulic	+ 60.0
7. Oroville Field	Butte County	Dredge field	+ 55.0
8. Central Eureka Mine	Amador County	Lode	36.0
9. Kennedy	do	do	34.2
10. Carson Hill Mines	Calaveras County	do	26.0
11. Argonaut Mine	Amador County	do	25.1
12. Sixteen-to-One Mine	Sierra County	do	+ 25.0
13. Keystone Mine	Amador County	do	24.0
14. Standard Mine	Mono County	do	18.4
15. Utica Mine	Calaveras County	do	17.0
16. Sierra Buttes Mine	Sierra County	do	17.0
17. Snelling Field	Merced County	Dredge field	17.0
18. Brown Bear Mine	Shasta County	Lode	+ 15.0
19. Cherokee Mine	Butte County	Hydraulic	15.0
20. Howland Flat Mines	Sierra County	do	14.0
21. Plymouth Mine	Amador County	Lode	13.5
22. Smartsville Mines	Yuba-Nevada	Hydraulic	13.0
23. La Grange Field	Stanislaus County	Dredge field	13.0
24. Yellow Aster Mine	Kern County	Lode	+ 12.0
25. Lava Cap Mine	Nevada County	do	12.0
26. Golden Queen Mine	Kern County	do	+ 10.0

## EXHIBIT V

*Gold production in California at 5-year intervals since 1848*

Year	Fine ounces	Value	Year	Fine ounces	Value
1848	11,866	\$245,301	1905	914,217	\$18,898,545
1850	1,996,586	41,273,106	1910	953,734	19,715,440
1852 <sup>1</sup>	3,932,631	81,294,700	1915	1,085,646	22,442,296
1855	2,684,106	55,485,395	1920	692,297	14,311,043
1860	2,133,104	44,095,163	1925	632,035	13,065,330
1865	867,405	17,930,858	1930	457,200	9,451,162
1870	844,537	17,458,133	1935	890,430	31,165,050
1875	816,377	16,876,009	1940	1,455,671	50,943,585
1880	968,986	20,030,761	1945	147,373	5,177,830
1885	612,478	12,661,044	1950	412,118	14,424,130
1890	595,486	12,309,793	1955	251,737	8,810,795
1895	741,798	15,334,317	1960	123,713	4,329,955
1900	767,390	15,863,355	1965	262,000	2,170,000

<sup>1</sup> The year 1852 is inserted because it was an all-time high for California.<sup>2</sup> Estimated.

## EXHIBIT VI

*Total number of gold mines active in 1940*

TYPE OF MINE	Number
Placer mines:	
Connected-bucket dredges	46
Dragline dredges	106
Dryland washing plants utilizing trucks, power shovels, and bulldozers	131
Becker-Hopkins dredges	2
Hydraulic mines	92
Drift mines	96
Wet small-scale hand-method operations <sup>1</sup>	282
Dry placer operations	17
Total placer mines	772
Lode mines	1,030
Total number of mines	1,802

<sup>1</sup> Excludes prospectors and snipers.

## EXHIBIT VII

*Total employment in the gold mining industry in 1939*<sup>1</sup>

Type of mine:	Employment
Connected bucket dredges.....	1,800
Dragline dredges and dryland washing plants.....	1,500
Small placers and snipers.....	2,000
Total employed by placer mines.....	5,300
Lode mines producing more than 100 ounces of gold.....	7,000
Small mines and nonproducers.....	1,560
Total employed by lode mines.....	8,560
Grand total <sup>2</sup> .....	13,860

<sup>1</sup> These were the best available employment figures.

<sup>2</sup> Does not include part-time prospectors.

## EXHIBIT VIII

*Average unemployment and Federal ownership in gold-producing counties, 1965*

County	Percent unemployed	Percent Federal lands	County	Percent unemployed	Percent Federal lands
Alpine <sup>1</sup> .....	17.8	92.6	Nevada.....	12.7	28.3
Amador <sup>1</sup> .....	6.0	25.6	Sacramento.....	5.8	17.4
Butte.....	11.6	18.0	Placer-Yolo.....		
Calaveras <sup>1</sup> .....	5.4	23.5	San Bernardino.....		
Del Norte.....	7.4	73.5	Riverside.....	6.7	68.7
El Dorado.....	12.6	48.4	San Diego.....	7.2	50.5
Fresno.....	7.3	40.3	San Joaquin.....	7.6	5.2
Humboldt.....	8.5	22.1	Shasta.....	9.5	41.7
Imperial.....	10.0	60.8	Sierra.....	4.9	62.3
Inyo-Mono.....	5.1	82.4	Siskiyou.....	6.5	62.9
Kern.....	5.9	25.0	Stanislaus.....	10.6	5.6
Lassen-Plumas.....	9.2	67.4	Trinity.....	8.3	72.4
Los Angeles.....	5.7	39.2	Tulare.....	6.7	51.8
Madera.....	9.2	40.0	Tuolumne.....	12.5	77.0
Mariposa.....	7.1	48.1	Ventura.....	6.6	54.5
Merced.....	8.7	6.6	Yuba-Sutter.....	10.4	15.7

<sup>1</sup>1960 census data.

Senator GRUENING. Thank you very much for a very good statement, which, of course, reflects the views which this subcommittee and the full committee have held for some time.

Let me ask you one or two questions.

Mr. NELSON. Yes.

Senator GRUENING. About how many gold mining properties are there in California?

Mr. NELSON. In 1940, we had 1,802 operating gold properties.

Senator GRUENING. About how many people would be employed if they were all reopened and went into full production?

Mr. NELSON. At that time, we had 14,000 men employed.

Senator GRUENING. Let me ask you this: Let your imagination be stimulated. What would happen if the great State of California, under a great dynamic Governor, enacted legislation to do the subsidization which the Federal Government refuses to do for the Nation? Do you think that is within the bounds of possibility?

Mr. NELSON. It is a good idea, but as I look at our own financial problems, we are having difficulty meeting our own needs. And the possibility of finding subsidizing funds would be most difficult. That was discussed by some of our legislators a couple of years ago.

Senator GRUENING. Well, you would put 14,000 people to work. You would stimulate the economy in these 1,802 communities, and you would set a fine example to the Federal Government.

Mr. NELSON. It is a good idea. I will take that back to the Governor, Senator.

Senator GRUENING. I wish you would take that back to Gov. Pat Brown, and tell him he will get all kinds of sympathy and support from other parts of the Union, from the gold mining industry. It might be the thing to break this logjam.

Mr. NELSON. It might help.

Senator GRUENING. We would be waiting to see whether either the international panic which the Treasury Department forecasts will follow or—I think it might demonstrate that nothing of the kind will happen.

Mr. NELSON. Well, I think California has led the way in many programs. Maybe this is another place where we should become leaders.

Senator GRUENING. It certainly has led the way in water resource development and various other ways.

Mr. NELSON. Right.

Senator GRUENING. It might be possible by some ingenuity to get hold of some of the Federal antipoverty funds to help your program, if gold were not mentioned. Of course, the minute you mention gold, you create—according to the Treasury Department mistique—that well-known panic. But if it were alleged by the State that you needed this to help unemployment, not saying who was unemployed, and that you wanted to put some of these unemployed back to work, you might get some of Sargent Shriver's antipoverty funds.

Mr. NELSON. That is a point. We have plenty of poverty in some areas in our State. It is a rather critical problem in some portions of the State.

Senator GRUENING. Well, thank you very much, Mr. Nelson. I wish you would take this message back and see whether that is not a possibility.

Mr. NELSON. I shall do so.

Senator GRUENING. I think that California, with its well-known leadership and its great resources and population, might be the one to lead the way in this field and thereby save that once great gold industry.

Mr. NELSON. Thank you, Senator. It has been a pleasure to be with you.

Senator GRUENING. Before you leave, Mr. Nelson, would you be kind enough to submit a statement which would indicate whether you think that these proposals by the Department of the Interior would solve the mining problems?

You heard Mr. Moore testify? I think it would be useful.

Mr. NELSON. I think I could give my reaction at this time if you would like to hear it.

Senator GRUENING. We would.

Mr. NELSON. I think their approach to developing new techniques and devices and methods of one kind and another for exploration and for cheaper mining operations are certainly admirable. But I cannot visualize how it could bridge the gap between the present \$35 per ounce for gold and the cost of production. It might narrow that gap slightly, but I do not think it could possibly bridge it.

Senator GRUENING. I regret to say I share your views. Thank you very much.

Mr. NELSON. You are very welcome.

Senator GRUENING. Now, Mr. Kenneth C. Kellar, vice president and general counsel, Homestake Mining Co., representing the Gold Committee of the American Mining Congress.

**STATEMENT OF KENNETH C. KELLAR, VICE PRESIDENT AND GENERAL COUNSEL, HOMESTAKE MINING CO., REPRESENTING THE GOLD COMMITTEE OF THE AMERICAN MINING CONGRESS**

Mr. KELLAR. Mr. Chairman, my name is Kenneth C. Kellar. I am a vice president of Homestake Mining Co., currently the largest gold producer in the United States, and chief counsel of its gold operations at Lead, S. Dak., where I maintain a private law practice. I appear before you today representing the American Mining Congress, of which organization I am a director and a member of its gold committee.

The American Mining Congress represents all phases of mining in the United States. Our organization favors the enactment of S. 2562 for the following reasons:

1. Outflow of gold in recent years has brought the Nation's gold reserves to a dangerously low level.

2. Increased costs of production since World War II have resulted in almost complete disappearance of our gold mines, except for a few producers, notably Homestake and the Carlin Mine in Nevada.

3. The objectives of the proposed relief legislation relate to subjects of internal domestic concern and should cause no apprehension in international monetary circles of any revolutionary impending change in our monetary policy.

4. Current annual consumption of gold in the United States for industry, the dental profession, the arts and crafts, is more than twice our annual production. Any legislation designed to revitalize our domestic industry to enable it to take care of our own domestic requirements seems both timely and appropriate.

5. Enactment of S. 2562 will reactivate the defunct gold mining industry with resultant significant increased annual production of the precious metal. Such increases, while obviously insufficient to offset the tremendous loss in our gold reserves, nonetheless, will be in the national interest to relieve the drain on our monetary gold stocks caused by the present excess of consumption over production each year in the United States.

I am sure that the members of this committee, most of whom come from Western mining States, are as cognizant as I of the plethora of various types of gold relief bills which have been introduced in the past decade in the Congress and are as familiar as I with the inflexible opposition of Treasury officials over several successive administrations to any type of gold remedial legislation.

Treasury has usually opposed such legislation, basing its objections on the premise that a two-price system for gold, one as a commodity, the other monetary, would be too disturbing or might be interpreted by foreign central bankers as an indication of an impending change in the monetary price of gold, with consequent loss of their confidence in the stability of the dollar.

Over the past several years, I have had a number of conferences with Treasury officials on the gold subject, and have always been greeted by a courteous reception followed by an adamant "No" and an expression of great sympathy for the worsening plight of the domestic gold miner. Nonetheless, I think this hearing is pertinent for several reasons.

1. The rapid deterioration in our national gold reserves.
2. The increased rate of consumption over production for our domestic annual industrial requirements—which, as you will recall, Mr. Chairman, another witness had alluded to this morning as having jumped in the period 1955–59, from 1,700,000 ounces to a total consumption in 1964 of 4,800,000 ounces.

3. The longer some form of relief is denied, the less likely dormant gold mines will be reopened, aggressive exploration for new gold ore reserves stimulated, and the certainty that our few existing producers, except for byproduct gold, will be compelled to cease operations.

4. S. 2562 provides specific proposals for financial assistance payments which are neither illusory nor nebulous, which are tied to increased costs of production since 1939. Obviously, before any owners of closed gold mines will seek to rehabilitate their properties, they must be assured of sufficient relief funds to enable them to operate profitably in the face of the tremendous cost increases in production which have occurred since the commencement of World War II. The same holds true with reference to the expenditure of large sums of capital in a search for new gold ore reserves.

So, too, certain provisions of S. 2562 would establish modest payments for the benefit of current gold producers which would enable them to stabilize their operations and ward off the threat of closure because of ever-increasing costs of production.

Approximately 40 percent of the United States total annual gold production is derived from Homestake's operations in South Dakota. In the last several years, Homestake's overall corporate earnings have remained on a fairly even keel, owing to its diversification activities primarily in the field of uranium mining.

Unfortunately, Homestake earnings solely from its gold property have shown an almost constant decline in recent years with the end of its gold operations in sight in the not too distant future, barring either revaluation of gold or some form of domestic remedial gold legislation.

We do not believe that S. 2562 provides excessive payments to current producers, including Homestake, nor that criticism should be made that the Nation's largest gold producer would be receiving an unjustified windfall. Under the provisions of S. 2562, for example, after taxes, Homestake's assistance payment would be less than \$1 per ounce. Further details respecting the effect of S. 2562 on Homestake's operations are set forth in the statement on file with this committee submitted by Mr. James O. Harder, general manager of Homestake's operations in South Dakota.

Much more generous payments are provided to aid the reopening of dormant mines or for the benefit of operators who may be fortunate enough to discover new gold ore reserves which warrant developing and mining. Under the terms of S. 2562, such potential operators would receive approximately the equivalent of \$44 per ounce as financial assistance payments, assuming that they submit the requisite cost

data and, further, that they convince the Gold Mines Assistance Commission that substantial marginal gold ore reserves will be mined only if such financial assistance is provided and demonstrate the existence of financial resources and technical capability sufficient to operate profitably under the conditions by which assistance under the act would be allowed. When such operators sell their gold bullion to the Treasury, they would receive the \$35 per ounce now being paid by that agency, and the following year, if they met the eligibility requirements provided by this legislation, they would then receive the \$44 relief payments from the Federal Government, thus effectuating a total relief, the equivalent of \$79 per ounce.

We believe the evidence presented to this committee will demonstrate that, if this bill were enacted, annual gold production in the United States will be substantially increased. While some underground lode gold mines would undoubtedly reopen at the \$79 figure, we believe most of the increased production would be derived from placer operations. Further, we believe that the evidence presented to this subcommittee, and also to the Subcommittee on Mines and Mining in the House on companion measures, will establish that a number of dormant underground lode gold mining properties will not be able to reopen unless a relief price the equivalent of somewhere in the neighborhood of \$100 per ounce is provided by the Federal Government. For the past several years, it has been running at the rate of about 1.5 million ounces per annum, except that in 1965, there was some slight increase attributable to the Carlin operation in Nevada.

No doubt the members of this committee would like to know by what amount our domestic annual gold production would be increased in the event a gold subsidy bill is enacted. I doubt if anyone can give a very definitive answer to this question. Many shutdown underground gold mines are in deplorable shape with flooded workings, ground caved, timber shattered, and machinery dismantled.

Mining staffs have been dissipated and skilled working forces have disappeared from the mining camps in search of more lucrative fields. However, I am sure that the analogy of the establishment of a thriving, vigorous uranium industry has not been lost upon the members of this committee, for but a few years ago most competent geologists held the view there were no substantial uranium deposits in the continental United States. Yet, when attractive incentives were provided and a realistic price established for yellow cake, uranium was found in abundance not only by diligent search by individual prospectors, but by intensive exploration of major mining companies.

We think it is reasonable to assume, therefore, that by provision for adequate incentives, the gold mining industry can be revitalized and that it is not illogical to assure that production levels could be restored to pre-World War II levels or even higher. Most certainly it should not be too difficult to step up production at least to a point where sufficient gold could be produced to take care of our defense and space needs, our industrial requirements, our dental demands and for arts and crafts, removing this constant annual drain on our monetary gold stocks which are so rapidly dwindling.

We recall that when the chairman's subsidy bill, S. 2125, was up for consideration in the Senate, Interior filed a report in opposition thereto with an alternate suggestion that greater exploration funds be provided through OME to aid the gold operators. However, greater

provisions for exploration, while desirable, are only a very partial answer to significant increased gold production in this country. What is needed is assurance that gold ores, once discovered, can be mined profitably under present day high costs of production and, except for the fortuitous finding of bonanza grade gold ores, the probabilities would be that increasing reserves would simply compound the problems since most companies cannot now mine the reserves they do have under present day conditions. Thus the need of a relief price somewhere between \$79 and \$100 per ounce becomes even more apparent.

We have also been advised that a suggestion was advanced that an answer to the gold problem might be to provide Federal funds for research to discover cheaper ways to mine and mill gold. This suggestion is of some dubious value in view of the fact that for years the metallurgical and technical staffs of major companies have been devoting themselves to this line of scientific endeavor. In point of fact, if considerable progress had not been made in this direction, the Homestake Mine would no longer be operating its gold properties in South Dakota. However, in the face of constantly escalating costs, there are limits to relief through technological improvements.

Press reports for months have emphasized the concern of Treasury officials over the outflow of gold from this country and our continuing balance-of-payments problem. An international monetary conference has been urged for the purpose of devising some new international unit of exchange. There have been more international monetary schemes proposed than there are operating gold mines left in the United States. On the outer periphery of experts there are those who would monetize gold completely and, on the other side, those who stanchly advocate revaluation of gold.

A majority of our economists and monetary experts still hold to the view that the price shall be maintained at \$35 per ounce. At the conference of international experts held in Tarrytown, N.Y., last fall, there was great diversity of opinion and considerable disagreement, but apparently the majority of those present agreed upon one subject: that is, gold will continue to play a dominant role in international monetary transactions for several generations to come. This reverence for the power of gold was quite clearly demonstrated when foreign interests withdrew \$1.6 billion from our gold reserves in the year 1965. It was further emphasized by the fact that virtually every ounce of 1965 world gold production went into industrial uses and private hoarding, rather than into national monetary stocks.

Whether gold should be revalued to provide sufficient liquidity to accommodate for the shortage of gold viewed in terms of world trade expansion or whether the nations of the free world will be willing to accept an inflationary new type of paper international unit along with gold reserves poses a highly controversial problem which may not be resolved for some years to come. In any event, as previously observed, gold will continue to play a dominant role in world affairs. Query: In the meantime, pending settlement of these momentous monetary decisions, should the United States miss the opportunity of developing and reactivating a healthy, vigorous, and productive domestic gold mining industry? We think not.

We do not believe there are any knowledgeable domestic gold operators, past or present, who would take the position that by the enact-

ment of S. 2562, gold production would be sufficiently increased in the United States to solve the magnitude of our balance-of-payments deficit, but we do submit that any substantial increase in domestic gold production is in the national interest and, therefore, we believe that this committee would be thoroughly justified in advocating the passage of S. 2562.

In conclusion, we wish to observe that apparently there is nothing new under the sun nor before the Senate of the United States. We have before us a report of the field hearings of the Commission of Gold and Silver Inquiry of the U.S. Senate, under date of January 1925. Mr. Fletcher Hamilton, in charge of field hearings, in his report, commented as follows:

During the War, gold was regarded as a war essential and was placed upon the preferred list. Furthermore, in the period 1917 to 1921 inclusive, the period in which the excess profits tax was in effect, the government recognized the difficult position of the gold mining industry and justly eliminated the excess profits tax. In the tariff Act the gold mining industry was accorded the protection of free cyanide largely because the government had fixed the price of gold. It was not considered a preferment to the gold mining industry and for the same reason it would not now be a preferment if that industry were to be relieved of all governmental taxation as gold, its price being fixed by the government, is the only product the market price of which is not free to move in accordance with the laws of supply and demand.

These statements were made during the inflationary period following World War I, and I am sure the gentlemen of this committee can appreciate the fact that the problems of the gold industry have magnified manifold by 1966, under the impact of present-day costs of productions.

We urge favorable consideration of S. 2562.

Senator GRUENING. Thank you, Mr. Kellar. As you probably know, from your long experience in appearing before these committees, there is nothing in your statement that does not find wholehearted agreement in the members of this committee.

I would like to ask you to comment on the proposals of the Department of the Interior as expressed by the Assistant Secretary, Cordell Moore. Do you believe that these efforts will result in any material solution of our gold mining problem?

Mr. KELLAR. Mr. Chairman, I most certainly do not. I wish to commend both the U.S. Geological Survey and the Bureau of Mines for their efforts and their research and their geologic mapping. It is very commendable, I think, that they are trying to delineate target areas. But, of course, the difficulty, Mr. Chairman, is that the whole thrust of that Interior statement, as I read it, relates to possible finding of marginal deposits of ore. It will be helpful to discover and delineate these areas. But what good will that do if they cannot be mined at a profit?

I was struck by one thing in that statement, in reference to their comments about the three mines. These related to the Carlin Mine, which, of course, was a fortuitous finding of a deposit with a grade about comparable to Homestake's, near the surface, where it was subject to open-pit mining. We hope that there are many Carlins, but they may be buried in depth. I doubt if we find too many mines of that caliber.

The next mine was the Creede Mine. I cannot see why it was brought into this discussion, because it is strictly a silver prospect

and should not be referred to as a silver bonanza. I have to mention that because that is a Homestake exploration project which is still in the state of exploration. It does not relate to gold at all.

With reference to the East Tintic Mine, reported assay, statements indicate that the Bergen Mine is primarily a lead-zinc-silver property, while the gold is only 0.001, and I doubt if it ever becomes a very significant gold producer.

Therefore, I say, Mr. Chairman, I doubt if these efforts, while commendable, will result in any greater gold production at all.

Senator GRUENING. I regret to say that I fear your views are sound on this subject. We wish there were some solution, but until we can overcome the stubborn resistance of the Treasury Department, either by changing its views or by the logic of events, the steady deterioration of the gold situation—it is going to be difficult to do anything to really help the gold mining industry. Once it is permanently closed down, it is going to be much more difficult to revive it.

I think it would be very helpful if some of the bankers that you are in touch with would let their views be known to the Treasury Department. I think we need the assistance of the banking fraternity, and I have no doubt that there are bankers who do not share the views of the Treasury Department.

Mr. KELLAR. I think you are quite correct, Mr. Chairman.

Senator GRUENING. Thank you very much, Mr. Kellar.

Mr. KELLAR. Thank you for the opportunity to be here.

Senator GRUENING. Now, our next witness will be Mr. Charles F. Herbert, deputy commissioner of the Department of Natural Resources, Alaska. Mr. Herbert is a former distinguished member of the Alaska Territorial Legislature. He has been a gold miner and is a very knowledgeable official and individual, both on the subject of gold mining and other related problems.

Mr. Herbert, we are very happy to have you here.

**STATEMENT OF CHARLES F. HERBERT, DEPUTY COMMISSIONER,  
DEPARTMENT OF NATURAL RESOURCES, STATE OF ALASKA**

Mr. HERBERT. Thank you, Mr. Chairman. I am the deputy commissioner of the Alaska Department of Natural Resources. I, for a number of years, have been opposed to gold subsidies, but I have changed my mind recently. I am now convinced that there are really only two alternatives: either to subsidize domestic gold operations sufficiently to bring the domestic gold production up to industrial consumption or to restrict domestic consumption to an amount of gold equal to that produced by domestic mines.

This is certainly not an original conclusion. It has been expressed frequently by the chairman of this subcommittee, members of the subcommittee, and distinguished witnesses. Nevertheless, all proposals to remedy the imbalance between production and use of gold have been vigorously attacked by knowledgeable people. Perhaps the answer to these attacks may be found in the "State of the Minerals Industry," a report of the hearings by this subcommittee conducted on May 9 and May 10, 1963. On page 207 of that most informative volume, Mr. William D. McGuigan, assistant general manager, Engineering, of the Stanford Research Institutes, states:

A really good idea will usually have the following properties :

- (a) It will change existing practices by at least a factor of 2;
- (b) It will attract competent and creative scientists to work on it;
- (c) It will be opposed by most of the experts and organizations already in the field;
- (d) It will seldom come from people or organizations who have been working in the field for more than 5 years.

The subsidy proposals before you fit these criteria almost perfectly.

(a) They are intended to increase domestic gold production by at least a factor of 2.

(b) They have attracted the attention of the foremost lawmaking body in the world, the U.S. Senate.

(c) They are opposed by the U.S. Treasury Department and the U.S. Mint and all of the experts attached to these august organizations.

(d) They come, not from specialized gold interests, but from men elected to serve the interests of all of the people.

I doubt if any legislative proposal has had equally impressive endorsement.

It is well known that gold production in the United States is dropping to historically low levels, at the same time that industrial use of gold is breaking all previous records. Is there any business in the world in which sales are climbing as rapidly as the sales of industrial gold, depicted in chart A, the universal rule that when sales exceed production increased prices are inevitable?

I have a chart here, Mr. Chairman, if you care to see it. It will illustrate some of the things that have been discussed by others today.

I believe this illustrates graphically the rapid increase since 1955 in the total amount of industrial gold. Now, this chart only goes to 1964. I learned this morning for the first time that there was an increase in 1965 over 1964 of some 26 percent. So it would run up here [indicating]. I would have had to have a little larger piece of paper.

This steady increase since 1955 is certain to continue since the demand for gold jewelry is now higher than ever before and important nonjewelry uses, which alone account for all of the gold produced by U.S. mines, are growing.

I will not go into the various uses. They have been discussed by others today. But I have another chart here which shows the effect, which also has been mentioned, of the increased use of industrial gold.

We see, back in 1940, that most of the gold that was mined greatly exceeded the industrial use, which was a small amount down here [indicating]. It has gone up and up, very rapidly since 1955. And now, as has been noted in previous testimony the gold that is required by industry is supplied by the U.S. Treasury. Again, we refer to the 26-percent increase. We have to go higher yet.

Now, the Carlin mine was mentioned several times today—220,000 ounces. So that in 1965, this production line here [indicating] would have gone up. But also mentioned was the fact of this 26-percent increase which, based on nearly 5 million ounces of industrial gold, means that we went further behind last year than ever before, because 26 percent of 5 million is around a million and a quarter ounces, and we are only finding 220,000 ounces. I do not think we can be very proud of that.

This is really a simplification of the previous chart, which shows what happened in 1940. The Treasury gain of some 200 million in gold from the gold mines in the United States over the industrial use. In 1964, the loss was \$117 million from the Treasury to support the gold-using industry.

There is one thing I would like to interject at this point that seems to impress me from the testimony that has been offered and from your question, Mr. Chairman, about the dangers of a possible two-price system that might be envisaged by the foreign bankers if a subsidy should be effected. I think that we find, when we look at a chart like this and see that the Treasury is losing gold to industry and the United States is not making any effort to supply, from its own mines, the gold that is required by industry, that this neglect is more likely to raise a bugaboo than the subsidy itself. Certainly, if the United States were to undertake to do something for the gold mining industry to stop the loss of gold to industry, would that not be taken as a determination that we shall maintain our reserves?

Now, quite apparently, the gold using industry is considered to be more important in this country than the convenience of travelers or the expansion of U.S. investment and business abroad. In fact, this industry, instead of facing restrictions aimed at reducing the outflow of gold, is supplied from the very gold supplies that the Treasury Department supposedly guards so well—and at a price that represents a heavy subsidy.

There are no restrictions on the use of gold. As a matter of fact, testimony this morning, and I believe in previous hearings, indicates that the Department of Commerce does all it can to encourage the export of fabrications made from gold. Well, what is happening now is that instead of the gold-using industry being restricted, it is actually subsidized by the producers. So we have, in effect, what is really a producer-paid subsidy.

There is some talk that the price of gold has to be kept down in order to maintain this industry. But, actually, it does not.

You are probably aware, Mr. Chairman, of the simple gold ring known as the Sour Dough ring that a lot of people in Alaska wear. I did price that out. It used to be \$10 in 1940. It now sells for \$26.50, the identical ring.

On the 19th of April of this year, the Wall Street Journal took front page notice of the boom in earring sales, quoting an earring maker as saying, "Demand last year was just fantastic and it's continuing this year." Also quoted was a buyer of fine jewelry for John Wanamaker's in Philadelphia, who said, "Now, they are starting to buy expensive earrings. This will become a gigantic thing when they start buying solid gold."

There is no question but that the users of industrial gold are benefiting from a subsidy. Perhaps their access to monetary gold and the price subsidy are truly in the national interest. In hearings before this committee on July 16, 1963, Mr. Robert M. Krementz, first vice president of the Manufacturing Jewelers and Silversmiths of America, insisted that after a \$35 ounce of gold had gone through his hands it would bring several hundred dollars in the foreign market and thus immensely benefit our troublesome balance of payments. Consequently, the producers of gold are required to subsidize that operation.

Now, producer-paid subsidies are not exactly new. Many centuries ago, the ancient Chinese Emperors required that all copper mines deliver their products to the Emperor at a fixed price. Perhaps we should expand and modernize the idea. Copper in this country is now, with considerable difficulty, held down to a price of 36 cents. Why not roll it back to the 11½-cent price of 1940; and kick lead from 16 cents down to 5 cents—however, Mr. Day told me this morning he did not like that part of it—pig iron from about \$60 to \$18? Producer-paid subsidies on the base metals and iron would benefit far more people than the present producer-paid subsidy on gold. Furthermore, they would benefit the Government, who is a large customer, and would obviate the need for some existing expensive subsidies now paid by the Government. Construction differential subsidies to American shipbuilders have cost the United States \$504 million over the last 5 years—plus nearly \$1 billion on farm subsidy payments—an amount that surely could have been saved by enforcing 1940 prices on copper and steel.

To illustrate this, if we had assumed that a 1940 parity with gold, copper, lead, and pig iron at that point—this is where they stand today in relation. Gold is still the same. The copper is way up here [indicating]. Lead, and pig iron. I think this chart has some reference to Secretary Moore's testimony this morning. Nearly everything that could be done to increase the efficiency of mining is also going to affect the mining of these metals. Very little would be directed solely toward gold. But what on earth could be done that would fill this gap in price by research?

Certainly, we would like to see the research, and it will help all metals. It would help gold, copper, iron, and lead. But it will not preferentially help gold enough to catch up.

In Alaska we find that the gold price burden is borne by many who can least afford it. In 1940, Alaska produced \$26 million in gold; last year the State's production was \$1.5 million. This loss of nearly \$25 million in income fell largely on the people of the northern and western parts of our State—Eskimos and Indians who in 1940 were valuable workmen, carpenters, machinists, mechanics, dredgemasters, traders, and airplane pilots. The able president of the senate of the first legislature of the new State of Alaska was an Eskimo from western Alaska.

This problem received attention in the December 1965 "Report to the President's Review Committee for Development Planning in Alaska," which in volume I, page 95, states:

Economic development in Alaska is concentrated along the narrow coastal belt from Southeastern Alaska to Kodiak and Bristol Bay, and inland along the so-called rail belt area. The vast expanse of land north and west of the rail belt area has seen very little development, and most of this is the remnants of the early mining and trading days, with a sparse sprinkling of newer Military installations.

Westward Alaska would present no urgent problem of development if it were not for the native populations—Aleuts, Eskimos, and Indians—who inhabit the area and are faced with the difficult transition from a primitive use-subsistence economy to a modern way of life. The Federal Government has extensive programs for these citizens but it has not been able to do the job rapidly enough because economic

activity in the area has tended to decline rather than increase. As a result, we find the native population surviving on a mixture of use-subsistence economy, supplemented by a few jobs, but principally by relief checks. Housing standards are deplorable and are, clearly, the worst in the Nation. One village, Wade-Hampton, is officially described as the poorest community in the United States.

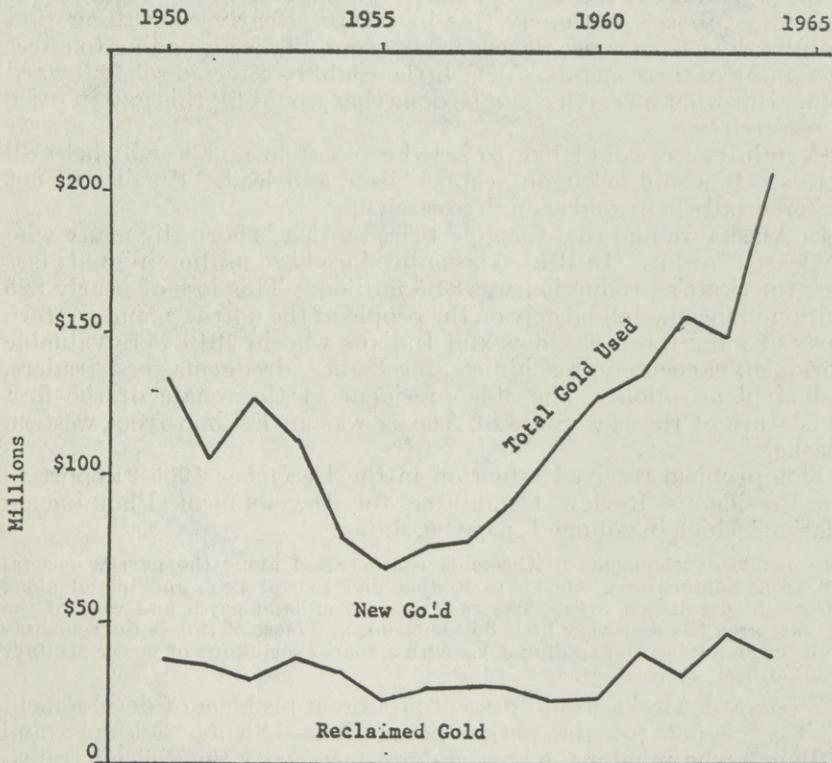
There can be no solution to the problem which does not include the development of a viable economy in the area which can afford the people the opportunity to earn a decent living, acquire adequate housing, and live as the rest of Alaska's population does.

These are the gold-producing parts of our State. It is clear that the producer-paid subsidy enforces poverty and despair; it demands a waste of land and of the people who have lived on that land for centuries. We in Alaska earnestly request the Congress to shift this heavy burden of subsidy from our people to the Nation.

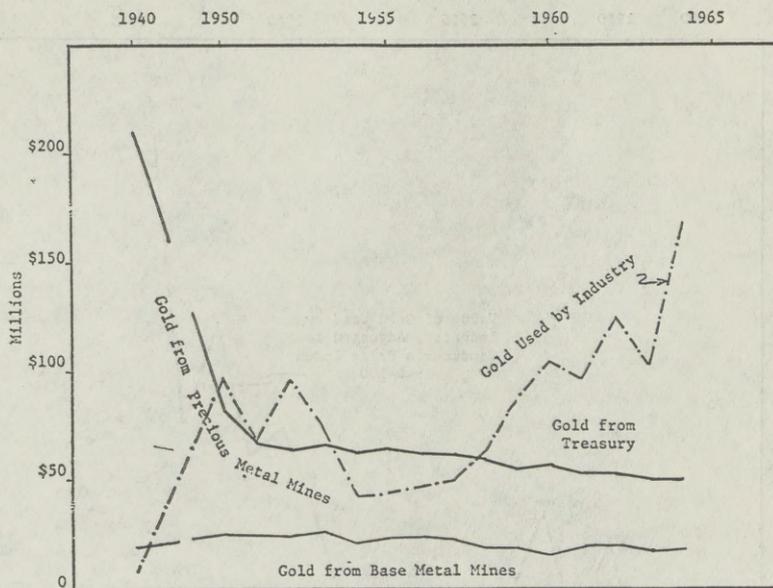
I have a little picture taken at Nome in 1964. The dredges closed down in 1963. Most employees have been laid off. That is the way our Eskimos live at Nome, now, some of them [indicating].

Thank you very much, Senator.

(The charts referred to follow:)



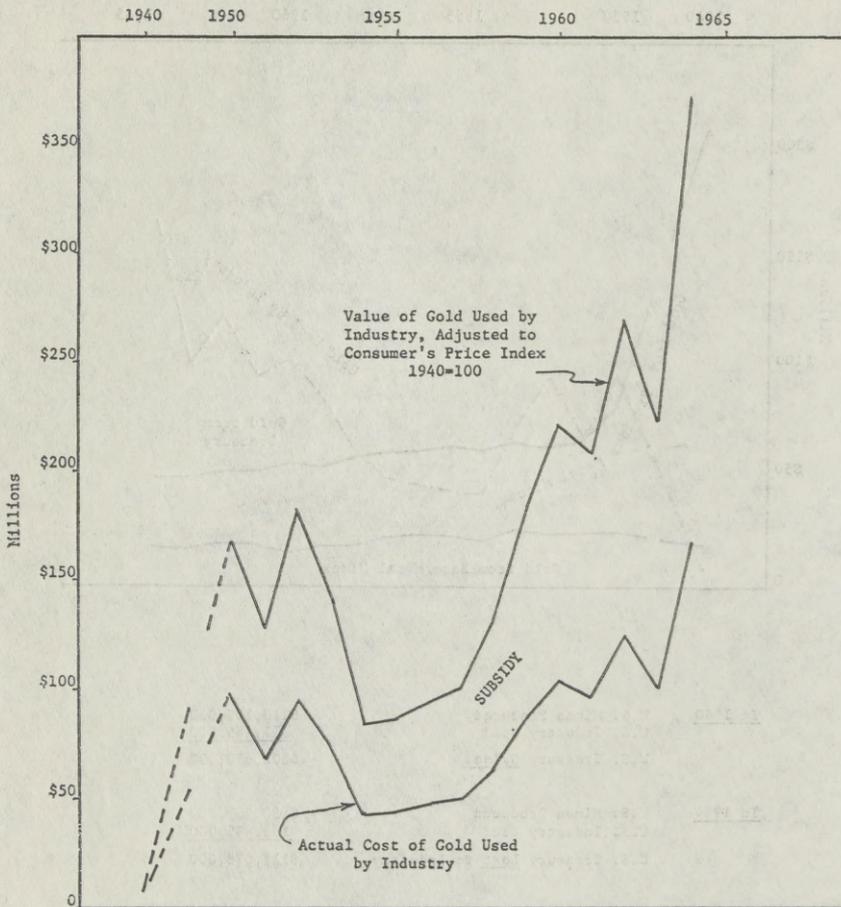
INDUSTRIAL USE OF GOLD  
1950-1964



<u>In 1940</u>	U.S. Mines Produced	\$210,105,000
	U.S. Industry Used	<u>7,455,000</u>
	U.S. Treasury <u>Gained</u>	\$202,650,000
<u>In 1964</u>	U.S. Mines Produced	\$ 50,960,000
	U.S. Industry Used	<u>168,035,000</u>
	U.S. Treasury <u>Lost</u> to Industry	\$117,075,000

IN THE 15 YEARS FROM 1950 THROUGH 1964  
 U.S. INDUSTRY CONSUMED \$349,000,000 MORE  
 GOLD THAN U.S. MINES PRODUCED

## GOLD PRODUCTION INCENTIVES



TOTAL SUBSIDY IN 15 YEARS - \$1,325,200,000

Senator GRUENING. Thank you very much, Mr. Herbert, for a very stimulating, enlightening presentation.

I would like to ask you whether you think the proposals of the Interior Department, as presented by Assistant Secretary Moore, furnish a solution to the dilemma of the gold mining industry.

Mr. HERBERT. No, sir, it would not. The only thing that is possible that might be worth quite a little bit are new methods of prospecting for gold. But I doubt very much if the Department is going to develop methods of saving gold or of mining more cheaply. After all, we in Alaska have a record low-cost gold mine that was shut down. The Alaska-Juneau Goldmine, years ago mined, paid dividends on ore that contained well under a dollar's worth of gold, and I just think that that still stands as quite a challenge to anyone.

Senator GRUENING. Well, you have heard the very enlightening and stimulating testimony presented by witnesses and you are aware of the present impasse that seems to exist between the public, the min-

ing industry, and the Treasury Department. I know of nothing we can do but to keep on hammering away and hoping that the situation deteriorates so far and so fast that they will be obliged to take a more rational and realistic view of the situation and do what those of us who have been with this problem now for a good many years realize poses none of the imaginary dangers and fears which are voiced by the Treasury Department. I hope that that time is not too far distant. Its position has struck all of us who have studied it and tried to view it sympathetically as fantastic. We feel that it is without any foundation in fact or justification whatsoever. We have to do something to rescue the gold mining industry, once one of our great industries. I am confident that the results, as have occurred many times when a reversal of a position takes place, will prove that the fears which existed are unfounded. We have many analogies which indicate that. I am confident that that will prove to be the case here.

Thank you very much, Mr. Herbert, for your fine testimony.

We have a witness from Parkersburg, W. Va., Mr. Loren E. Thompson.

Mr. Thompson, I am sorry we kept you waiting. I may have to leave before this is over in order to testify before an Appropriations Subcommittee. If I do, Mr. Stewart French, counsel for the committee, will preside.

**STATEMENT OF LOREN E. THOMPSON, SR., PARKERSBURG DIE & TOOL CO., PARKERSBURG, W. VA.**

Mr. THOMPSON. In the interest of time, I will only read part of the quoted speech. I have it marked in the copy, Mr. Chairman.

Senator GRUENING. In any event, the full text will be inserted in the record, as well as your comments.

Mr. THOMPSON. I appreciate that it will, Mr. Chairman.

Mr. Chairman, I wish to take this occasion to extend to you my appreciation and also to the committee, as well as others, for their interest and efforts in trying to solve the gold miners' problems. I further express my sincere appreciation, at this time, for being able to speak before this committee in support of the current issues which are expected to bring some relief to the gold mining industry and also to the Federal Government in its balance-of-payments deficit.

My comments are unorthodox in nature. They do not deal with the effects of the monetary systems or problems. Sufficient conjecture has already been expressed along these lines. My remarks deal with the basic problems from the miners' viewpoint, grass root technology if you please.

My name is Loren E. Thompson, Sr., of Parkersburg, W. Va. I am the owner of the Parkersburg Die & Tool Co. of Parkersburg, W. Va. I engage in various types of manufacturing. These include general machine shop items, machine tools, special equipment, design, research, and development of specialties, defense work for the Government both civilian and military. One of the products of my research and development work is the split-water process of mining. Split-water process is the technical term I apply to the technique of mining Saprolite ore.

Mr. Chairman, with your permission, I would like to introduce a few basic remarks which should be made part of the record. These remarks cover an area of potential minerals and mining that might otherwise be forgotten as these hearings proceed.

All economists recognize the fact that mankind's constant endeavor to achieve in his manner of living, his manner of education, his manner of exploring new fields in all phases of science, his manner of expanding, his manner of helping his fellow man, his very manner of existing, has, in fact, been a constant stimulant for man to look and search for and to develop new types and sources of raw materials.

In no other time in history has the endeavor been so centered around the development of rare metals and minerals and their discovery, by-products, mining and refining techniques.

In this connection, all stable economy has for its basic foundation, the ability of man to produce from the great storehouse of creation—the earth itself. In conjunction, each generation always has been able to find the correct equilibrium in its economy by adjusting the various factors of value of natural resources produced from the earth.

In our time, we look at the effort of the American Government in the early 1930's to readjust the economy of the United States, or in fact, the whole earth by the revaluation of the mined gold reserves. While only a short decade has transpired since this adjustment, it must be remembered that the pace of man's economy is moving much faster today than in the early part of the 20th century.

Inflationary trends already have overtaken the progress of the last readjustment of our economy and has long destroyed the correct equilibrium of balance. Therefore, on other alternative is available to our Government in attempting to retard the rapid pace with which inflation is now destroying this equilibrium of balance but to reevaluate our metal and mineral reserves. This, in turn, will automatically advance the progress of mineral and mining development.

New methods of mining, new techniques of processing and recovery are constantly being looked for by men of vision in these various fields. In addition to the development of new kinds of equipment new mineralized areas and locations, in most cases unproven in worth and value, are being prospected and evaluated.

These new valuations, in most instances, call for and demand the complete new development of technical devices and machinery to effect satisfactory recovery from the scattered value which occurs in mineralizations that, by reason of necessity, now at this time, must be made possible to develop. The split-water process of mining and recovery is one of the products of this urgent demand.

In conjunction, the Appalachian Mountain system of the Eastern United States is one area of extreme importance in considering the possibility of developing new minerals and new sources of mineral supply. Other areas of the continental United States and other sections of the earth may also be considered; in fact all of these sections likewise must be considered important in view of the situation as it exists today.

I having observed the moving trend of the economy for many years, have, in fact, studied many of the pros and cons and possibilities of the development of these low paying mineral areas which, in many

instances, cease to be properly identified as belonging to the sub-marginal group.

However, the correct analysis, in the terms of general mineralization, would immediately identify and place these sources of mineral in the single category of producers of one or two outstanding value elements if it were not for the complex co-existence of many strategic elements in the general mineralization of these mineral deposits.

This common coexistence of many elements, in turn, leave the possibility of development and recovery of values in a very complete complex field and often very technical and beyond the realm and reach of the average thinking of ordinary field personnel. This fact alone has delayed the proper development of many economically sound mineral and mining projects.

Many field trips have been enjoyed while studying the possibility of development of satisfactory technical equipment to overcome this difficulty. These field trips have taken me from the various mineral belts of the Appalachian Mountain ranges to the central and southern Sierra Mountain ranges of Sonora, Mexico.

The southern Appalachian Mountain region, consisting of parts of the State of Maryland, Virginia, North Carolina, South Carolina, Georgia, and Alabama contain several thousand square miles of mineral zones. Many individual mineral belts are found in these southern States. The Piedmont region, starting near Washington, D.C., crossing the State of Virginia, North Carolina, and into South Carolina, is one of the defined mineral zones. The Blue Ridge region in North Carolina, the Upper Piedmont region, and the Piedmont Plateau have caused the State of North Carolina to classify its gold deposits into the following mineral belts: The Eastern Carolina Belt, the Carolina State Belt, the Carolina Igneous Belt, the Kings Mountain Belt, the South Mountain Belt, the mines west of the Blue Ridge or the Western Belt. These mineral belts extend across the State of North Carolina, into South Carolina, and into the State of Georgia.

The State of Georgia embodies probably the largest and most extensive mineralized zones in its Upper Piedmont Belt and Lower Piedmont Belt. The mineralized zones extend across the State from the northeast to the southwest. The State of Alabama has five mineralized zones which cover six counties.

The mineralized zones are very large and are listed as follows: Ashland Mica Schist, Wedowee Formation, Tallodega Series, Hilla-bee Schist, Pickneyville Granite.

These Appalachian States with their various mineral zones covering millions of acres, contain unimaginable amounts of wealth in mineral elements. Gold is the leading element of value in all of these mentioned regions. The values for the most part are found in Saprolite ore.

The term "Saprolite" is a Greek word meaning "rotten rock." This decomposed matter starts at the grass roots and extends to an average of from 100 to 300 feet into the mineral formation. Usually, below this depth, the formations are hard and are generally found in the originally composed state.

Many attempts have been made in the last 100 years to mine or recover gold from the Saprolite ore. All attempts have ended in fail-

ures. Ironically, nature still retains all of this wealth in its natural storehouse, while for the most part the geographic areas involved are in a distressed condition. Unemployment is high and job opportunities are few. Many of the areas described are included in most of the recent distressed area legislation, antipoverty measures, and general public relief enactments. Considerable of the area described is also included in the more recently coined word covering the distressed areas of these regions as "Appalachia." The term "Appalachia" has already been elevated to its proper place of being. Regretfully, from my point of view, under the present neglectful circumstances, the entire gold mining industry is now virtually in "Appalachia."

Regardless of how regretful, our national gold reserve is declining very rapidly. Unfortunately, our sincere and active efforts to explore, develop, and operate new gold mines is declining at a much faster rate, while such an abundance of potential wealth is available, not in a region such as the wilds of an unexplored land, or in a country containing impassable mountains, or in deserts which defy the existence of men, but in a region surrounded by all of the benefits of man's advanced civilization, including the effort of the last several administrations to bring assistance to these regions through the enactment of various assistance and antipoverty programs including the construction of much needed highways and roads, schools and school programs, education and education programs, and help to various municipalities, cities, and villages. All are very much needed, helpful, and much appreciated in the local areas.

However, none of the measures acted upon tend to provide a source of continued employment for the people, or assisted to any extent, in the manner of developing the potential resources of the regions, which would enable the local residents to be gainfully employed. The present proposed legislation bills S. 1377, S. 2562, Senate Resolution 83, and other companion measures, contain a clause to encourage exploration, development, and commencement of new gold mining. The enactment of these measures is most urgently needed at this time to further the development of these regions and to take whatever advantage that may be available in already enacted measures which may apply to the areas involved.

Problems? Yes, we have problems and we intend to overcome these problems and we are overcoming these problems. Nevertheless, we must have relief from the economic distressed condition which now plagues all of the gold mining industry whether located in the eastern Appalachian mineral belt or in the great mining States of the West which have so proudly contributed to the great development of this Nation through their minerals and metals.

As an introduction to some of our problems, I would like to quote, at this point, from Bulletin No. 38, Department of Conservation and Developments, of the State of North Carolina. The remarks about the recovery of gold can be applied to all of the southern Appalachian mining States. [Reading:]

Since the revival of gold mining in North Carolina in 1930, two other processes were experimented with, and both were soon abandoned.

The first process was tried on the Saprolite ores of the Poris Mine in Nash County and later at the Black Ankle Mine in Montgomery County. It is reported that over \$150,000 were spent in trying to prove this particular process,

which was known as the "Centrifugal" or "Lewis Process". The soft decomposed rock or Saprolite was dug by a steam shovel and delivered to the plant by dump trucks. The ore was dumped on a grizzly, the large fragments of quartz and hard rocks were thrown aside, and the fines dropped on bucket elevators. The bucket elevator hoisted the material to the top of the plant and emptied it into a 40-ton washer or disintegrator. From the log washer the material is emptied on a screen. The coarse material was stacked for later grinding in ball mill, while the fines went direct by trough and pipe into the centrifugal machine.

The centrifugal machine consisted of cylindrical bowl mounted in such a manner that it would revolve at varying speeds. The centrifugal machines were used in batteries of four and were said to handle fifty tons each of ore per day. The inside of the bowl was lined with horizontal grooves about one-fourth inch in depth. The sludge or disintegrated material was fed by four inch pipe down the center, and the material was discharged at the bottom of the bowl. The bowl was revolved at varying speeds, depending on the consistency of the sludge entering it. The material was discharged by the centrifugal motion over the sides of the bowl, while the mercury, and any gold it might have picked up, was caught in the grooves. Since the ore consisted of a great deal of very plastic clay which had the tendency to pack into the grooves when the machine revolved, thus causing some of the mercury and gold to be discharged over the rim, the process was a complete failure. The ore, according to assays, showed an average of about \$2.00 per ton, while the machine recovered only 40 cents to 60 cents per ton.

After this failure at the Portis Mine, the entire plant was removed to the Black Ankle Mine in the North-Eastern part of Montgomery County. After several futile attempts to operate this plant profitably, it was finally abandoned. A great deal of the machinery is still at the property.

The second process recently attempted in North Carolina is an electrical or Gardner Process. The plant erected at the Parker Mine, near New London in Stanley County, did not prove successful and was soon abandoned. Various reasons are given for the abandoning of this process at the Parker Mine, among which are: the clay or Saprolite did not contain sufficient gold; the process failed to recover the gold; and there was some dispute between the man financing the proposition and the engineer in charge.

The plant consisted of a revolving drum or disintegrator, sluice boxes, the necessary screens, and the electrical amalgamator. The ore was mined with drag, emptied on a grizzly, the coarse material piled for later grinding, and the fines shoveled by hand into the disintegrator. Some large quartz pebbles were also placed in the disintegrator to help to break up the plastic clay. The sludge from the disintegrator emptied on a screen which took out bits of wood, leaves, and other foreign materials. The clay sludge emptied into sluice boxes with riffles for collecting the coarse gold. The fine gold was to be recovered by the electric amalgamator.

The electrical amalgamator consisted of two copper plates, one above the other, about one inch apart. The plates were silvered, the top plate on the bottom and the bottom plate on the top, then mercury applied to both plates. The two plates were used as electrodes for an alternating current. As the sludge passed between the plates the electric current caused the precipitation of the gold either on the top or the bottom plate, depending on the flow of the current.

Since the above electrical amalgamator did not prove successful on the ores in North Carolina, further developments were made, and at the present time two of such machines are being used at the recovery plant built near Gold Hill to recover the Gold Hill tailings. The present amalgamator consists of a shaking table about two and one-half to three feet in width and six feet in length. Mercury pools are placed at regular intervals across the table, about three or four to each table. Immediately above the mercury pools there are three vertical aluminum plates. The table is covered with rubber, as this proves to be the best material for it. As the sludge is passed over the table the electric current is turned on and the table is made to vibrate. The process did not prove successful, and, after an expenditure of \$8,000, the plant was abandoned.

A pilot plant of this type has been erected at the James Laboratory Newark, New Jersey, by Mr. Frank J. Gardner, New York City, in cooperation with Mr. U. S. James. Several batches of low grade ore have been shipped from North Carolina to the plant, and it is reported that the values have been recovered up

to 98 percent of that contained in the ore. All types of ores have been tried, the hard ores ground and the softer ones disintegrated by various methods. However, this process did not prove successful on the North Carolina ores.

It is impossible to give any definite information as the value of the placer deposits in North Carolina. These deposits are usually spotty, of indefinite value and quality, and it is only through careful investigations that the values can be determined. Records show that they were quite variable, ranging from a few cents to as high as \$20.00 per cubic yard. Generally speaking, however, the values are less than \$1.00 per cubic yard. In the vicinity of Portis Mine, in Nash County, some of the gravel deposits show from 10 cents to 50 cents per cubic yard, while the Saprolite show from \$1.50 to \$12.00 per cubic yard, with an average of \$2.00 to \$3.00. Numerous assays have been made by various companies on the portis property, which shows an average of better than \$2.00 per yard.

At the Parker Mine, in Stanley County, the placer and Saprolite deposits show a gold content from 10 cents to \$2.50 per yard. However, the values are not uniformly distributed, as there seems to be a concentration on the surface from four to six inches in depth with a further concentration on the bedrock, with little or no values in between.

Saprolite deposits in Montgomery and Randolph Counties show values from 50 cents to \$3.00 per yard, usually rather spotty, and it is impossible to give the average of the deposits until further prospecting is done. In some sections, however, there are possibilities for commercial production.

In the placer and Saprolite deposits the gold is usually fine; although in certain localities, as the Reed, Parker, and Portis Mines, some coarse gold is found. Some very fine nuggets have been found at the Reed and Parker Mines.

Due to the nature and distribution of the placer deposits in North Carolina, every known method has been used in an attempt to recover the gold from the Saprolite materials. These methods included hand panning, sluice boxes, rockers, hydraulicking, log washers, Snodgrass machines, trommels, centrifugal machine, and in three instances, dredges. A great many of the processes used have been failures, due to the clayey nature of the deposits.

The most successful methods attempted so far on a large scale have been hydraulicking, Snodgrass machines, and trommels. The old reports show that dredging methods attempted on the Catawba, Uharie Rivers and fishing creek proved unsuccessful. Various reasons have been given for the failures of these dredges. The older inhabitants of the above sections state that the companies were unable to secure sufficient properties, others state that the dredges were not able to handle the clayey materials.

In such sections of the State, especially at the Portis and Parker Mines, the abundance of plastic clays has made the recovery of the gold an impossibility. Several methods have been tried out unsuccessfully to disintegrate the clays. The clay is so tenacious that if trommels are used, the gold is so pulverized that it floats out in the clay slimes. The Snodgrass machines and log washers have also proved unsuccessful because the quartz fragments tend to prevent the revolving of the blades within the drums. After the clay has been thoroughly disintegrated by these methods, the gold is worn so fine that it floats out in the slimes and does not come in contact with the amalgamation plates.

Two problems will have to be solved before many of the placer deposits can be operated profitably in North Carolina. The first problem is the disintegration of the clay without the pulverizing of the gold to such a fineness that it floats out in the slimes. The second problem is the recovery of the gold from the clay slimes at economic cost regardless of the fineness of the gold. If these two problems can be solved and the ore can be handled at low cost, there are many placer and Saprolite deposits in the Southeastern United States which could be worked profitably.

A process of disintegration will have to be worked out in which the gold will be eliminated in the very beginning so that it will not be pulverized to such a fineness that it will be impossible to recover it. After the clay has been completely disintegrated, some process of recovery will have to be devised to recover the fine gold from the clay slimes. All processes so far attempted have been failures due to the inability of the operators to recover the fine gold by straight amalgamation and on English blankets, as the clay, more or less in a colloidal state, coats the plates in such a manner that the gold never comes in contact with them. Also the burlap blankets and English blankets become so covered with the fine clay that the gold floats off in the water.

It appears, from the quoted remarks, that there are several problems which will have to be overcome before any extensive gold mining can be done in the Appalachian States, with any degree of success. Reference is made to the fact that the values are spotty and range from 10 cents per yard to \$20 per yard, but generally average less than \$1 per yard with some of the Saprolite averaging between \$2 and \$3 per yard. Further reference is made to the remarks about the technical problems which will have to be solved. (1) The disintegration of the clay, (2) the recovery of the gold from the clay slimes. If these two problems can be solved there are many Saprolite deposits in the Southern States which can be worked at a profit.

I am pleased to advise that after a long and trying period of research and development, starting in 1940, excluding the war years, with an expenditure of approximately \$500,000, I have achieved a complete breakthrough on the last two problems.

The "split-water process" is a mining technique which has been designed to process clayed ores which contain gold, silver, platinum, copper, rutile, ilmenite, titanium oxide, zirconium, et cetera. This process is the only known process capable of reducing tenacious mineral clays which contain the values in the Saprolite mining belts of the Appalachian Mountain Range into a refinable concentrate rendering the values in marketable condition.

The split-water process has the unique features of being able to dissolve the tenacious clayed materials causing the ore gangue to go into a perfect state of suspension, thereby eliminating the clay balls which have robbed the values in all of the known attempts in mining this material.

The "split water process" has additional capacity to deslime the ore gangue after it is put into a state of suspension thereby recovering all the fines of selected specific gravity classification. No chemicals or agents are required. The gold is recovered as free natural grains as produced by nature from the quartz. The sands and gravels are all classified and made available for sale as a byproduct or for building materials.

The ore gangue, which consists of saprolite, mineralized zones, schists, gneises, decayed rock formations or any other type of ore which may contain recoverable values, usually have such scattered and dissimulated values that the quantity of value in each field ton would not pay to process from the usual mining or milling standpoint.

The "split water process" has been specifically designed, since most of the ores are now oxidized or weathered in place, in some cases to depths of 200 to 300 feet, to reduce the tremendous bulk of the field ore conveniently into a field concentrate with a ratio of approximately from 100 to 1.

The various parts of the field gangue are divided into the correct classifications and may be marketed as a number of by-products. The valued elements, such as metallic minerals, oxide elements and all various forms of recovered values may be refined to suit the available market to the best advantage.

Mining machines employing the technique as just described are complicated and very expensive to manufacture. A complete "split water process" installation costs \$1 million for a 500-ton unit, and

a 2,000-ton unit would cost \$2 million. Technical management is exacting and requires considerable advanced planning with long-range views. Investment capital mounting into the millions of dollars will be required.

In viewing these facts, the problems appear insurmountable with the present \$35 price of gold. Financing in these amounts cannot be arranged for easily unless tremendous potentials in deposits are proven and the general public more enlightened.

However, the enactment of S. 1377, S. 2562, Senate Resolution 83 would immediately stimulate the incentive of the speculative investors. At least some public knowledge would be gained that the Government is trying to assist through effecting legislative measures to make it economically possible for an abandoned mine to be reopened or for the acquisition, development, and operation of new mines. The enactment of this legislation is long overdue and is virtually imperative at this time to make possible the acquisition of the necessary capital to acquire and develop mines with the present high cost of capital equipment.

The present high cost of gold production will not lessen in the present foreseeable future. However, quite to the contrary; additional higher cost of operations will undoubtedly occur. With the present price of gold, only the operations of the most rich properties or unusual discoveries can be maintained at a profit to investors. Even with these, no margin is conscientiously available to management which will permit prospecting and exploration of new ore bodies or the development of new techniques both of which are absolutely as necessary to the gold mining industry as any other of our national industries such as the production of petroleum and its products, mining of coal and its byproducts, the steel industry and the lumber industry, only to name a few. These industries have all been assisted by the Federal Government in various ways at different times. At least the price of their commodities are not under absolute Government control.

Considering the present price of gold, millions of acres of saprolite ore deposits might be considered submarginal for first-class speculative risks, even though very rich streaks occur quite frequently.

In order to mine these saprolite zones profitably, considerable testing or surface-blocking-out is required. This exploration work in saprolite zones is very technical and very expensive. Special trained crews are required and portable equipment which produces actual mining values using the "split water process" technique is expensive to manufacture and operate.

The enactment of S. 1377, S. 2562, Senate Resolution 83 and its companion measures would immediately stimulate the possibilities for the acquisition of funds for exploration and development work to prove the mining potentials of the mineral deposits.

The gold mining industry deserves and is entitled to whatever benefit these measures may or can provide toward gold mine assistance and gold mine revitalization. Even these measures will not cure or provide 100-percent effective assistance for all of the miners' problems. Assistance is required in several forms to enable the gold mining industry to get started again. Financial, technical, academic assistance are all required if the industry is to regain its rightful place in our progressing economy.

Financial assistance in various forms is badly needed since the industry is faced with extremely high-cost "get started" period. Enactment of the current legislation and any companion measures will be a step in the right direction at this time.

Assistant payments or subsidized operation cost will enable capital to be obtained from many investors who will feel assured of at least a minimum reasonable return on their investment. The neglectful plight which the gold mining industry has been forced into, first by the War Production Board Order No. L-208 and then by the continued refusal of the various administrations to take action on this individual product of a very vital segment of this Nation's economy, has, in fact, damaged to a near unrepairable extent, the gold mining industry's ability and opportunity to acquire capital investment funds from public investors.

Consequently, new public knowledge and assistance will be necessary to enable the gold mining industry to get started again.

The enactment of the present proposed legislation will not only assist gold mines but also will in effect assist other related industries. Many of the minerals areas have little or no industry to furnish gainful employment for the people who live there. The proposed legislation is sound and logical. It does not extend any further into the world monetary system than to convince foreign observers that action is being taken to maintain our dollar with ample gold reserves showing the fact that our natural resources are still more than ample to maintain the stability of our country's economy.

Foreign observers are fully aware of the fact that the hard shell of our credit and monetary stability could well be broken by the "inconsistent and uncontrollable" "do nothing attitude" of the various Central Government departments. Once the backbone of our reserves is depleted to the place where it is too late it would be very hard to recover from that position since one of the most expensive necessities of mining and development work is time and at that point, that will be a commodity that cannot be legislated into existence.

Looking over my own past experience as limited or as broad as it may be, nevertheless, I am most surely appraised of the problems and difficulties that face the mining industry at large at this time. In my individual case, the "development of the gold bearing saprolite ores" of the Appalachian Mountains region, it appears like a one-man battle against an unconquerable foe possessed with an unyielding might which can never be conquered. The gold mining industry in each section of this country is faced with similar unconquerable obstacles, all of which can be overcome and will be overcome. The gold mining industry will not stand idle or useless, nor will the American people stand for this industry to remain idle or useless for long.

The American people have always been able to overcome various difficulties whenever they arise and in this case, if it requires new legislation, that will also be enacted.

Therefore, I urge that every possible effort be made to persuade the present or approaching sessions of Congress to act on these measures. They are not only vital to the gold mining industry and its benefactors, but they are vital to the American people and to our American Government.

Chaos will not befall us, as some have expressed, but on the contrary, a great American industry will start to grow again and bring new economic vigor to many sections of our Nation and new strength to our economy and new investment opportunities for American capital at home—not abroad.

Mr. Chairman, gentlemen, I thank you for this opportunity to express these views. As in the past, I shall continue in my endeavor to bring the gold mining industry to the Appalachian States.

Mr. FRENCH. Mr. Thompson, on behalf of Senator Gruening and the other members of the committee, I want to thank you for your statement.

The subcommittee chairman asked me to ask you to comment on the presentation of proposals made by Secretary Moore of the Department of the Interior.

Mr. THOMPSON. I was somewhat amazed by the statement that they presented this morning in that respect, Mr. Chairman. I realize that their efforts are highly commendable and all of that, but I wonder if perhaps their efforts are not being prompted by the pressure that is being put on by the subcommittee hearings rather than their honest, sincere ability to actually mine gold.

Now, I do know that in some sections of the country, under some of the various Government agencies, if a prospector perhaps finds a good-looking deposit, they may order him to get off it as being worthless since he may not have funds to prove it quickly. So I do not think they could get real continuity into their thinking until we see some sincere effort.

It is true, they may be developing certain new techniques, which we are hopeful that they do. But if there is not that economic factor that makes it possible to mine at some reasonable profit, then the effort will be lost.

It may be that in due course of time, there will be some good come out of their efforts, but at the moment, I fail to see, really, any connection, Mr. Chairman, with their statement and their efforts, declarations, that will assist in the immediate problem of the American gold mining industry. Surely, they would not, I do not believe, lead to any appreciable benefit in our Government's balance-of-payment situation, as I see it.

Mr. FRENCH. I know the subcommittee will appreciate your comments.

On my own, sir, I would like to ask you if you can define briefly, because the hour is late, what is saprolite ore?

Mr. THOMPSON. Mr. Chairman, saprolite ore is the gold-bearing formation that is now left here after the decomposition of what we call a series of geologic deposits which occurred in the Appalachian Mountain Range, these gold deposits are the oldest in the world, the oldest in the earth here. The deposits are roughly 2,600 miles long, starting up in Nova Scotia, extending through this area all the way down into southern Alabama. The material as you see it driving along the highway is generally known as red clay. Silver Spring, Md., nearby here, is about the center of this particular belt. Even the city of Washington is built on saprolite deposits.

The gold that is in most of that material is very fine and has come into existence by the decomposition of other elements. Gold, being a

noble element, is not destroyed by decomposition. It is locked in a kind of clay in this occasion. We generally think—we that experiment with it—think of the term “sapolite” as being that clay. It is very tenacious, impervious to water and to several of the mild chemicals, even.

In my experience, during several years, I have perfected a mechanical method of unraveling that clay substance, which releases the elements and also gold, in my various experiments in the State of North Carolina; we caught 27 elements in addition to the gold that we got out of sapolite ore testing. It is a very unusual mineral substance to study; and we have sapolite in many of the mining areas all over the world. California has a lot. They have not even recognized it there as even being possibly gold producing.

Mr. FRENCH. Thank you very much, sir.

The subcommittee chairman asked me to ask Mr. Day if he cared to make an additional statement.

Your statement was put into the record by Senator Jordan this morning.

#### STATEMENT OF HENRY L. DAY, PRESIDENT, DAY MINES, INC., WALLACE, IDAHO

Mr. DAY. Thank you, Mr. Chairman.

My name is Henry L. Day and I am president of Day Mines, Inc., operating at Wallace, Idaho. We have interests in gold mines and have had for 40 years.

I wish to comment on the questions that Senator Gruening asked after J. Cordell Moore, Assistant Secretary of the Interior for Mineral Resources, said that his Department was speeding up the process of reconnaissance by the U.S. Geological Survey and research by the U.S. Bureau of Mines. I have nothing but admiration for the work or works of these agencies. However, he skirted the problem which is not so much in finding new mines as it is an economic one to overcome the adverse circumstances that have befallen our industry in the last last quarter century.

For the information of those who think that research and geology can solve the problem of the gold mining industry and speed up output, I will call to their attention a circumstance with which I was personally connected.

It occurred in 1940 and 1941, when gold mining was rather attractive, because the price had been increased in 1934 and wages and salaries and costs of supplies had not skyrocketed, as they have today.

Just parenthetically, I might say that the gold miner today, and I mean the man working for wages, receives as much in vacations, fringes, social security taxes paid by his employer, \$8 or \$10 a day, as he received in 1940 in wages.

I have in mind a known deposit of approximately a million tons of gold-bearing ore which would bring about \$7.50 in net smelter returns. My company was planning, in 1941, to erect a small mill to serve this deposit and the mill was only of such a size that it would take 15 years to mill a million tons.

We expected to make a dollar or so per ton net operating profit on the operation before income taxes, if any, depreciation, and depletion.

Adverse circumstances to gold mining were in operation in 1941 and the whole operation was abandoned and this tonnage still remains in the ground.

Now, I would like to have Mr. Moore and his experts—and they are fine gentlemen, and I know their work well—explain to me how any amount of geological reconnaissance and research by the Bureau of Mines is going to make that ore profitable today, when costs are on the order of 3 times what they were then. I consider it an economic problem and it does not involve recoveries in the mill, it does not involve mining methods, because it is just simply impossible in an underground operation to get costs as low today, even greatly mechanized, underground, as we could have gotten 25 years ago.

Senator JORDAN (presiding). I am sorry I did not get to hear your main testimony, Mr. Day, because I know that you are a recognized authority in this field and have had a lifetime of experience in mining. I do appreciate your coming back here to testify before this committee.

I just heard the last sentence or two of your statement here, your off-the-cuff statement. I think it is important, the point you made there, that an ounce of gold, say in 1940, would have bought \$35 worth of the goods and services that go into mining exploration. But at 1965 prices, an ounce of gold would only buy \$14 worth of goods and services that might go into mining and exploration. That statement was made here by the Assistant Secretary in answer to my question this morning.

This is the crux of the thing here. Rising costs of goods and services that go into mining exploration and mining, extraction of minerals from ores, have gone up tremendously and the price of gold has remained constant. This is the dilemma.

Mr. DAY. Senator Jordan, may I observe that an able representative of the State of California testified here this morning that there were 1,802 gold mines in operation in his State in 1940 and the last one shut down in 1965. Now, the solution for the problem, the plight mining industry finds itself in as given by Secretary Moore does not touch that at all. His research and his geological surveys will not touch 1 of those 1,802 mines shut down in the State of California. The point I am making is that it is economic circumstances we are facing and not a scientific or technical one.

Senator JORDAN. They are tackling it with a fly swatter when they need a little heavier effort.

Mr. DAY. Yes, sir.

Mr. FRENCH. Is there anyone else who wishes to be heard?

(No response.)

Mr. FRENCH. If not, Senator Gruening has directed that the following statements, or communications, be included in the record, among others.

(The data referred to follows:)

STATEMENT OF NILS A. BOE, GOVERNOR OF THE STATE OF SOUTH DAKOTA

Mr. Chairman, Gentlemen of the Committee, I wish to present to this Subcommittee the following statement in support of the several gold incentive bills. Prior to my serving as Governor of the State of South Dakota, I was a member of the state House of Representatives for several terms and served as Speaker of that Legislative Body. My experience in both the Executive and Legislative branches of state government gave me an opportunity to become well acquainted with the serious economic problems threatening the future existence of the

gold operations of Homestake Mining Company located at Lead, South Dakota.

During my tenure of office, both in the House of Representatives and later as Governor, relief legislation in the form of tax reductions for the benefit of Homestake's gold operation was enacted, with reference to which I shall have further comments hereinafter in my testimony.

South Dakota is the largest gold producing state in the Nation. We have within our borders only one operating gold mine today. I refer to the Homestake property which, incidentally, produces approximately 40% of the Nation's total annual output of the precious metal. South Dakota is primarily a non-industrial agricultural state. Homestake is one of the two largest industrial concerns operating within my state. Its continued existence is of tremendous economic importance to the most populous section of the western half of South Dakota located within the area of the Black Hills.

Homestake's annual payroll in South Dakota is nearly \$12,000,000. In addition to this very considerable sum, Homestake makes other payments within our state for state sales taxes, state severance taxes, supplies, equipment and material, local, county and cities' school taxes and to stockholders resident in South Dakota. Thus Homestake's operation generates a cash flow in excess of \$16,000,000 per annum into the channels of trade and business in South Dakota.

In turn, Homestake's 2,000 employees, most of whom are home owners, generate tax dollars for local and state agencies and the millions of dollars distributed as a result of Homestake's operation turn over many times in business each year. It has been estimated that some 25,000 persons living in the Black Hills area are dependent either directly or indirectly upon the operation of the Homestake Gold Mine. Needless to say, the continued existence of this great enterprise is of paramount importance to the economic welfare of South Dakota and the threat of ever increasing cost of production which may cut short the life of this mine, long before its ore reserves are exhausted, is a matter of real concern to South Dakotans.

During the mid-30's, during a period of drouth, grasshoppers and depression the South Dakota Legislature imposed a gross severance tax rate of 6% on gold mining, the impact of which fell almost solely upon Homestake Mining Company. During those years of adversity, Homestake paid a severance tax which amounted to approximately one-third of South Dakota's biennial budget which in those days amounted to a mere \$6,000,000. In the years immediately prior to World War II gold mining was a profitable business in South Dakota and elsewhere. However, when adversity fell upon Homestake in the form of a World War close down order, and rapidly rising costs of production in the year thereafter, the onerous tax burden imposed by our severance tax was reduced at three Sessions of our Legislature in recognition of the grim realities of gold mining so that the tax rate is now 1% instead of the former 6%. Our Legislature took this action despite a need for increased revenues to meet a budget which now approaches the \$125,000,000 mark.

Now it would appear that the only effective relief to preserve the longevity of the Homestake enterprise, so that it may continue for years to produce gold for the national reserve and to continue its contributions to the economic well-being of my state, must initiate beyond our borders. Solution of the problem would appear to be either a revaluation of gold, which seems very unlikely in the foreseeable future based on the conclusions of monetary experts, or the enactment of remedial legislation by the Congress of the United States.

I have been informed by Homestake officials that, under the terms of H.R. 10925 had it been in effect on January 1, 1966, Homestake would be entitled to receive as a financial assistance payment after taxes approximately \$680,000 based on its 1965 production which would amount to a little more than \$1.00 per ounce. I have also been informed by the same sources that projected increased costs of operation for the year 1966 at Homestake would have completely consumed the financial assistance payment had it been in effect, and quite obviously Homestake's net profits would not have been increased by virtue of any subsidy payments. The estimate of Homestake's cost increases for 1966 demonstrates the essentiality of Section 3(a), line 20-25, page 2, of the printed bill H.R. 10925, which provides for an increase in financial assistance payments at the rate of 3.75% for each 5 point increase in the Consumers' Price Index, United States Department of Labor.

Prior to World War II, in the mid-30's, there were several small operating gold mines in the Black Hills of South Dakota. These mines are now shut down

and have been for some years. The last to close its operation was Bald Mountain Mining Company in the year 1959. In 1940, South Dakota gold mines other than Homestake produced nearly 50,000 ounces. The 100 square miles in the Black Hills are a highly mineralized area and I am sure with the passage of this measure there would be considerable mining activity which would result in reopening the gold mines which had to close in recent years and the possibility of finding new gold ore reserves.

In my considered judgment, the financial assistance payments set forth in H.R. 10925, applicable to Homestake's gold operation in South Dakota, are indeed a small price to pay to sustain the continued existence of this remarkable gold mining property in South Dakota, particularly in view of the fact that in the United States each year we consume for industrial, dental, defense and art requirements more than twice our annual production, and even more particularly in view of our rapidly dwindling national gold reserves.

I urge favorable consideration by your Subcommittee for H.R. 10925 and companion measures.

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THE STATE OF NEVADA,  
EXECUTIVE CHAMBER,  
Carson City, Nev., May 17, 1966.

Mr. STEWART FRENCH,  
*Senate Interior Committee,  
New Senate Office Building,  
Washington, D.C.*

DEAR MR. FRENCH: I am enclosing a copy of the Precious Metals Resolution, adopted by the Western Governors at their conference in Las Vegas recently. I made reference to this resolution in my testimony before your committee on May 4, 1966. Please make this resolution part of the permanent record as a portion of my testimony.

Sincerely,

GRANT SAWYER, *Governor.*

#### V. PRECIOUS METALS

Be it resolved, By the 1966 Western Governors' Conference:

1. That the principle of direct financial assistance payments to our domestic gold producers to revitalize this industry and increase U.S. gold production is a proper subject for immediate consideration by the Congress.

2. That tax incentives should be provided to encourage exploration and stimulate increased domestic production of gold.

3. That Congress should require the Treasury Department to eliminate from its reported silver stocks the amount set aside for stockpile purposes and other amounts not available for sale or disposal and that the government-imposed ceiling price on silver be eliminated as soon as practicable so the price will be determined in the market place.

4. That the Congress should enact legislation providing that a substantial portion of the silver seigniorage profits be utilized for an incentive program to stimulate silver exploration and development and for research in silver mining and metallurgy.

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#### STATEMENT OF PAUL GEMMILL, EXECUTIVE SECRETARY, NEVADA MINING ASSOCIATION, INC.

Mr. Chairman, and Committee Members: My name is Paul Gemmill. For the past two years, I have been Executive Secretary of Nevada Mining Association which is an Association of mine operators in the State of Nevada. I am a 1930 graduate Mining Engineer of the Mackay School of Mines, University of Nevada, and have been continuously engaged in mining since that time with special emphasis on exploration and development of new mining ventures while closely following Industry and Government policy matters intended to create incentives for added production of metals. Therefore, I feel that my education and experience qualify me to speak with authority on the availability of potential mineral resources within a given type of mineral province as well as on the effectiveness of any plan designed to encourage search and development for dynamic increases in production from these potential sources.

The widely publicized discovery and development of the Carlin Gold Mine in the Lynn District of Eureka County by Newmont Mining Corporation is an illustration of Nevada's potential. Our State has long been recognized to be part of a mineral province with important precious metal potential. So, with or without Newmont's discovery, it is safe to declare that large unproven deposits do exist within the State. But before an expensive, high-risk search to find and demonstrate economic reserves at the Carlin Mine, no one could better than surmise or speculate on where such a deposit might be found. Furthermore, it is unlikely that the total scope of the deposit will be reasonably well defined until many years hence when the bulk of its ore has been extracted. It must be emphasized that the Carlin discovery has increased rather than decreased the probability for the next important find in Nevada.

While incentive to search for and discover the Carlin ore-body was based on the testing of geologic theory, coupled with evidence from earlier small production, the most dynamic incentives for multiple discoveries in short periods of time have been repeatedly shown to depend upon attractive price, creating massive exploration effort by private industry which must risk failure to reap reward.

Experts were confounded by development of the domestic uranium industry after controlled Government efforts had been less than successful and rewards to private industry were effectuated. Domestic tungsten production under a price incentive soon demonstrated that the United States can be self-sufficient in tungsten though statisticians previously pointed to our almost complete dependence on imports prior to the Government's domestic purchase program which was instituted in 1951 by General Services Administration. During the Government's purchase program, Nevada ranked first in domestic production and demonstrated that the potential remains to produce continuously under attractive pricing.

The above facts are cited to show the efficiency of private industry, from the prospector to geologist, mining engineer, metallurgist and corporate organization in bringing about large unpredictable quantities of mineral materials when the stakes are high. Risk capital and our most imaginative brain power will speculate freely on favorable odds.

A meaningful rejuvenation of domestic gold mining with the legitimate purpose of putting gold in Fort Knox will require massive effort. But you can rest assured that the most optimistic predictions will again be far surpassed soon after the intensive search becomes attractive. Credibility of any forecast that includes very much of the unknown cannot be supported, yet it is the unknown that will dwarf the known after intensive search is made to continue over a period of time.

Under a modest incentive plan, such as proposed in S. 2562 now before your Committee, designed primarily to "help" the dormant mine and to reduce the impact of rising costs for existing producers, I have predicted that Nevada's gold production might readily be expected to increase from a current rate of some 300,000 ounces per year to perhaps 500,000 ounces per year. But, I believe that Congress would wish to examine the potential for a massive effort to generate a large, permanent domestic gold producing industry. If it is determined that the true purpose of any gold mining legislation is to put gold in Fort Knox and not legislation designed for a distress circumstance, Congress should call on the best effort of the mining industry from prospector to large corporation and institute a program that will create the open end production potential which lies virtually dormant today.

Since international monetary agreements prevent any semblance of raising the price of gold, our efforts must, presumably, be to search for and develop production of gold priced at \$35.00 per ounce; at least, until a particular discovery is determined to require some special assistance to bring it into production, such as is now required for known deposits lying idle today for which bills being considered are rightfully designed. Everyone concedes that massive search will be the prerequisite of meaningful production. The suggestion here advanced is that domestic gold bullion be first paid for in the usual manner, with or without any assistance payments required in the first instance to bring said production forth; then advance additional funds, matching every ounce produced and earmarked for the same producer to spend in development of new production that can be price at \$35.00 per ounce.

It is beyond the scope of this discussion to belabor the issue with how the necessary control of earmarked funds should be supervised by Government, but

some points are vital to success in centering efforts on the best prospects for gold production. The suggested policy would be that earmarked funds should not be returnable from production to the extent that such funds result in gold production while discovery of other ores or minerals as a result of gold exploration should be returnable, with interest, to the Treasury. It is also important that the individual prospector on the public domain be given special consideration in the application of funds. Not all new discoveries will be initiated by the technically trained experts and modern analytical tools in the hands of the layman still offer very good promise of initiating successful ventures. Special emphasis should be given to encouraging numerous small exploration ventures and in this connection, gold should, by all means, be included with silver in the O.M.E. assistance program that authorizes seventy-five percent government assistance loans. Nevada and the West have a record of numerous mines that produced ore containing both gold and silver. A current O.M.E. application for assistance in such a property is denied the full seventy-five percent assistance loan since gold alone qualifies for fifty percent loans.

In conclusion, permit me to emphasize that the distressed condition caused by rising costs over the years does need special attention. Support is herewith expressed for the approach embodied in the bill now being considered and for which expert testimony has been prepared by others. My primary purpose has been to use this opportunity for focusing your attention on a truly great potential for a large, continuing production of gold from yet unknown domestic sources.

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STATEMENT OF JAMES O. HARDER, VICE PRESIDENT-GENERAL MANAGER, HOMESTAKE MINING CO.

My name is James O. Harder. I reside in Lead, South Dakota, where I have been employed by the Homestake Mining Company since 1932. I am a Vice President and General Manager of the Black Hills Operations of this Company which latter position I have held since 1957. Prior to that time I was on the geological staff of Homestake at Lead, and served in the capacity of Chief Geologist from 1947 to 1957. I am appearing before this Subcommittee today to urge favorable consideration for S. 2562, the Gold Mines Assistance Act of 1965. I am sure the members of this Committee are well versed in the problems of the mining industry and are fully aware of the inexorable vise which has so squeezed the gold operators of the Nation between a fixed price product and the constant inflation of costs of production that there are very few of us able to operate under current conditions.

First I would like to point that the operations of the Homestake Mining Company are very important to the economic structure of the western portion of South Dakota centered in the Black Hills. In fact, to the entire state. Mining of gold at Homestake generates a flow of dollars into the business structure of our state in excess of \$16,000,000 per year. The annual payroll is nearly \$12,000,000 and \$2,500,000 is spent within the state for supplies, equipment and materiel. Approximately \$200,000 paid in state severance tax per annum and \$150,000 in state sales tax is paid yearly. In addition, \$500,000 is distributed in dividends each year to South Dakota stockholders, and over \$1,000,000 is paid for county, municipal and school district taxes per annum. Any cessation in this flow of dollars would seriously damage the economic stability of the Black Hills region.

I would like to direct my testimony to specific details of our gold operation because they graphically illustrate what has happened to our industry. We, at Homestake, have made many changes and innovations over recent years in a determined effort to continue to mine gold. We have installed new types of machinery and equipment to save costs. During the years 1952 through 1963, we modified our mine and mill facilities at a cost of about \$4,500,000 in order to bring our productive capacity up to 2 million tons of ore per year with the objective of reducing unit costs. We have achieved this result which is the maximum capacity at which our mine and milling facilities can be operated on an efficient basis. Another serious operational problem arose with the necessity of mining at ever deeper levels with increasing rock temperatures and with ever increasing costs. In the period 1955 to 1964, we found it necessary to sink a shaft 5,600 feet in depth at a cost of \$3,000,000, for the sole purpose of bringing adequate ventilation to the lower levels of the mine. We have installed new mining techniques and

procedures underground. Had the Company failed to put these innovations into effect, Homestake would have ceased operations years ago.

Among our many other problems, the grade of our ore has been trending downward. In 1941, it was \$13.02 per ton, last year it was \$10.88 per ton. Net earnings per share, solely from our gold operations at Lead, have shown an almost constant downward trend in recent years from \$4.50 per share in 1941 to \$3.12 per share in 1950 to \$1.41 in 1962, to 87¢ in 1963. In 1964, there was some slight improvement in net earnings over 1963 amounting to approximately 28¢ per share for a total of \$700,000, but it should be noted that this increase was attributable to three factors.

(1) The Company finally realized the maximum capacity of its mine and milling plant by producing 2,032,955 tones of ore.

(2) Considerable savings effected as a result of a management consultant survey which streamlined our operations by consolidation, eliminating some positions and transferring men from surface to underground work. Consistent with our long established policy of fair treatment for our employees, none was laid off in the process although some jobs may not be filled in the future when they become vacant through death, voluntary quits or retirement.

(3) A slight improvement in the grade or value of ore per ton, and this again proved true in the latter part of 1965.

The savings effectuated by the Management Consultant Survey became effective in the fall of 1964, and the forepart of 1965. These savings have been completely wiped out by subsequent increases in taxes, wages and supply costs.

The outlook for 1966, is again dismal as costs continue to rise. We recently announced a seven cent per hours across the board wage increase because of the widening disparity between the wage pattern in the rest of the non-ferrous mining industry and our operations at Lead. This increase entailed a cost of \$300,000 per annum. In addition, for 1966, we already see approximately \$130,000 per year increase in social security taxes including medicare, a further increase in the cost of supplies and material of \$100,000 per annum, \$75,000 per annum reflecting the impact of the increased South Dakota sales tax rate of three percent which became effective July 1, 1965, \$30,000 per annum in increased electric power costs and \$88,000 per annum increased cost of local taxes.

Quite significantly, in the year 1965, net earnings of Homestake from its gold operations are 17¢ per share less than in 1964. Obviously, in the face of such economic obstacles, we cannot continue to operate for too many years in the future despite the fact that, on January 1, 1966, we had measured ore reserves of 16,445,000 tons and indicated ore reserves of 761,000 tons, with excellent prospects for development of much additional ore. The grim cost projections for 1966 are borne out by our first quarter 1966 earnings, which have just been announced. Homestake earnings declined by \$367,000 in the quarter ending March 31, 1966, a major portion of which is attributable to higher mining costs at our gold mine. If the cost trend continues at the present pace, with rising expenditures for labor, supplies, taxes and other items, our gold mine, in all probability, will be forced to shut down in a few years. This will happen even sooner, if greatly accelerated wage costs occur as the result of an imposition of a shorter work week, unless the price of gold is raised or we receive governmental assistance.

In my humble judgement, salvation of the great Homestake enterprise is dependent upon the occurrences of either one of two events: revaluation of gold or enactment of relief legislation. For some years I entertained the fervent hope that the former event might be imminent, but it now seems unlikely there will be any change to a higher price for gold in time to prolong the life of the Homestake operation. Apparently our monetary experts still adamantly hold to the view that the price of gold will be maintained at \$35 per ounce and the exact role of gold in relation to any new international monetary unit at the moment is unknown. Therefore, realistically, we must look to the Congress of the United States for help.

It should be pointed out that research is constantly developing new uses for gold in industry. Gold, as you know, is utilized by our space and defense agencies. Consumption of gold is on the increase and our annual production falls far short of meeting our domestic requirements. It seems to me that every reasonable effort should be exerted to stimulate increase in our domestic production of gold to take care of our internal requirements particularly since this would lessen the drain on our monetary gold stocks.

Under the provisions of S. 2562 based on Homestake's 1965 operations, our Company would be entitled to receive financial assistance payments, after taxes,

amounting to approximately \$570,000 which is a little over 90¢ per ounce since we produced 628,259 ounces in 1965. Even modest financial assistance payments of this amount would be of only very limited temporary help, if costs continue to rise, unless the formula set forth in section 3(a), page 3, of the printed bill, S. 2562, were adopted. Under this proviso, subsidy payments would be increased 3.75 percentage points for each 5 point increase in the Consumers' Price Index of the United States Department of Labor, added to the 5% rate applicable to total annual bullion receipts.

I must confess I have some difficulty rationalizing the reluctance to afford relief to gold operators in the United States with the more favorable treatment accorded gold miners in other countries. Canada, as you know, has provided cost of production payments to gold mines since 1948. Furthermore, the Canadian provinces extend a three year tax moratorium to new mineral properties of all types.

In Australia, not only has a subsidy for gold operators been established, but gold companies are given relief from federal taxation until they have recouped their capital investment.

In my considered judgment, and quite apart from its effect upon the operations of my Company, I believe passage of S. 2562 would be a very effective stimulus to increased gold production in the United States through the reopening of many closed gold mines and, further, that it would induce the exploration departments of many major mining companies to intensify their search for new gold ore reserves.

I, therefore, urge your favorable consideration of the proposed bill, S. 2562, Gold Mines Assistance Act of 1965.

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STATEMENT OF PAUL A. MILLER, GENERAL MANAGER; AND WILBERT A. KLINGMEYER,  
PRESIDENT, OF TERRY PEAK DEVELOPMENT CORP.

Gentlemen: We have asked to be given the opportunity to submit this statement to this committee, in favor of S. 2562.

My name is Paul A. Miller, I am Vice-President and General Manager of Terry Peak Development Corporation, P. O. Box 757, Lead, South Dakota 57754. This corporation is successor to Bald Mountain Mining Company, second largest gold producer in the State of South Dakota.

I graduated from the South Dakota School of Mines and Technology June 1950 with a B. S. degree in Geological Engineering and was awarded my Professional Degree Of Engineer Of Mines from the same institution in 1963. Some of the exhibits used in this statement were taken from my thesis which I wrote at that time and was a complete study of the existing and past situation of gold mining in the Northern Black Hills Of South Dakota with particular emphasis on the Bald Mountain Mining Company property. It was my good fortune to have been born and raised in the Northern Black Hills. My father before me was a shift foreman for the Homestake Mining Co. While still attending school I commenced working in the mines of the area. After graduation in June 1950, I was engaged by the Bald Mountain Mining Company as Assistant Mine Engineer.. I received various promotions culminating with my promotion to General Manager June 1955. I continued in this capacity until the final suspension of all operations in June 1960, however, mining and milling operations had ceased in September 1959. During the latter years I gained a great deal of knowledge and familiarity with just about every mill and mine that had ever existed in the Hills, since in an effort to keep our doors open we looked into and investigated every possibility.

Wilbert A. Klingmeyer is President of Terry Peak Development Corporation. Mr. Klingmeyer is a graduate of the College Of William and Mary, Williamsburg, Virginia, June 1949 with a B.A. Business Administration-Accounting. He also holds a C.P.A. certificate from the State of Virginia, and has had extensive business experience in several fields of endeavor. At present he is the majority stockholder in the corporation, his group purchased all of the assets of Bald Mountain Mining Company in June 1963.

#### HISTORY

Since the turn of the century, production of gold and silver from the Bald Mountain mining area has been of considerable importance to the communities of Lead and Deadwood and to the State Of South Dakota.

Of principal interest, since 1934, has been the operations of the Bald Mountain Mining Company which contributed about one-half million dollars annually in payment of payrolls, taxes and purchase of supplies and services during time of normal operations. Because of the depressed condition of the industry, brought about by rising costs coupled with a fixed price paid for gold, it was necessary to operate under very severe economic limitations since the close of World War II. Despite the difficulties conditions, Bald Mountain Mining Company was able to survive long after the majority of the low grade producers, in the United States, discontinued operations.

The Bald Mountain Mining area encompasses what was formerly referred to in the literature as the Portland, Ruby Basin and Squaw Creek Mining Districts. Ore bodies consist of metasomatic deposit in the Deadwood formation of Cambrian age, the Whitewood formation of Ordovician age, the Pahasapa formation of Mississippian age and in Tertiary igneous rocks.

The Bald Mountain mining area lies approximately four miles southwest of Lead, South Dakota. It encompasses an area of about 12,000 acres and is subdivided into two major districts called the Portland and Ruby Basin mining districts.

The history of development of the Bald Mountain and Ruby Basin Districts has been one of gradual consolidation and reorganization of smaller companies and privately held properties into large, important groups.

Since the first claim location by A. J. Smith in 1877, two companies have emerged with holdings large enough to sustain moderate sized operations. Bald Mountain Mining Company and its predecessors, largest and most important of the two, operated continuously from 1911 until 1923, and from 1934 until 1959, except for a short time during the latter period when forced to close by government order. Second in importance, the Golden Reward Consolidated Mining and Milling Company, has maintained property ownership but has been inactive since 1918.

At the present time, the Bald Mountain Mining Company represents a consolidation of the Clinton Mining & Mineral Company, the Portland Mining Company, American Eagle Mining Company, Dakota Mining Company, Mogul Mining Company, Two Johns Mining and Milling Co. and a major portion of the Ofer, Imperial, American and a number of lesser mining companies. As previously stated profitable operations were maintained until 1923, when rising costs and labor problems forced suspension of operations. Despite reports that ore reserves were depleted, a new company was formed under the guidance of Mr. O. D. Collis and in 1928, further development of the property was undertaken, mill expansion was made. An exploration program was started in the Two-Johns area to search for faulted extensions of previously mined lower contact ore bodies, this exploration program was successful, but work was discontinued until the price of gold was raised in 1933. Milling was resumed in 1934, and very successful operations were enjoyed until 1942, at which time War Production Board issued orders closing all gold mines. Mining was soon discontinued and the broken ore reserves were milled by 1943. Work was resumed in 1945, when the war ended. The mines and mill operated continuously until 1959, when rapidly inflating costs and the fixed price of gold and silver made further work economically impossible.

Because of the large, comparatively unexplored sections in the area and the known existence of low grade ore in some of the older productive sections, it is certain with the passage of these bills a profitable mining operation will again become feasible. It was considered important that the information gained in the past be made a matter of record to aid in future planning.

The Golden Reward Consolidated Mining and Milling Company, organized in 1887, was the second largest of the Black Hills gold producers until 1918. It represents a consolidation of the Deadwood and Delaware Smelting Company and a number of the smaller Ruby Basin operations. Total capacity of the Golden Reward Company facilities at the time the mine closed was approximately 550 tons of ore per day. Labor problems and rising costs are thought to be the major causes of suspension of operations in 1918.

Several geologic and mine examinations have been made during the years since closure, however, there has been no attempt to reactivate the mines. Prior to 1941, holdings of the company were purchased by the Anaconda Company of Butte, Montana, retaining the original name.

There are known ore bodies and/or reserves on this property which we are aware of and if this bill would become law we would most certainly attempt to obtain, since they are millable in our mill under our process.

## COST CONSIDERATIONS

During the pre World War I period, labor was plentiful, wages low and supply costs very reasonable when compared to the \$20.00 per ounce price paid for gold. Operations were profitable and several companies were productive in the area.

The war years brought labor scarcity, wage requirements increased and vital supplies became higher in price. These problems became insurmountable and all of the operations closed by 1923. The increase in the price of gold in 1933, brought about renewed interest but most of the companies had dismantled mine and mill facilities, money was scarce and the price increase was not sufficient to allow installation of complete new operating units. Only the Bald Mountain Mining Company which had held their facilities intact and in good condition was able to resume operations.

From 1934 to 1942, labor was again plentiful, efficiency high and supply costs reasonable. Many labor saving devices had been introduced during this period but there was little incentive toward mechanization. The company continued to use the outdated hand labor methods until the mines closed in 1942.

After World War II, it was found that conditions were again difficult. Broken ore reserves, which were depleted during the pre shutdown period, had to be re-established. Rehabilitation of the mines was also necessary and exploration and development were far behind the requirements for continuous production. For a time it was felt that the operation could not survive unless gold was again raised in price.

Before a definite decision was made, experimentation with partial mechanization was tried. It was immediately apparent that despite the handicap of unskilled labor, production, exploration and development requirements could be met. Further improvements were made by decreasing haulage distances, installing storage raises underground and utilizing abandoned workings for waste disposal rather than hoisting to surface. Greater effort was made to develop intermediate contact horizons where shrinkage stopping could be employed, yielding greater tonnages at less cost. By 1950, it was found that mechanization, refinements in procedure and elimination of a number of non productive jobs allowed a 30% decrease in manpower as compared to 1941.

Unfortunately, the wage-supply cost inflationary spiral speeded up after 1950, and constant efforts had to be made to maintain costs of production. Improved purchasing procedure, warehousing and inventory control together with stringent supervision of supply consumption aided a great deal in prolonging operations. Testing and usage of new commodities, both for mining and milling, increased efficiency. Preventive rather than corrective maintenance reduced lost time due to mechanical failure, and a program to assure this was well planned and carefully supervised. Operations reached a high degree of efficiency but the upward surges in prices quickly nullified all gains that we were able to make. During the last five years of the operation it was impossible to hope for further improvement in efficiency and the only alternative remaining was to again drop manpower with corresponding cutbacks in development and exploration. To increase output per man shift a study was made of contract systems of payment for underground personnel. Ultimately, all jobs from track work to mining and haulage were paid on this basis. Average hourly wage increased, labor requirements lessened and output per man shift climbed.

By 1958, the current productive areas were nearing depletion and grade began to decline rapidly. Development was too far behind schedule and the outlook for a price increase was poor. It was decided to suspend operations as soon as developed and broken ore reserves were depleted. Final mine and mill operations were completed in July 1959. It is reasonable to state had a subsidy bill been passed as late as 1954, such as these bills allowing a 6% increase with an allowance of 3.75% for each 5-point increase in the Consumer's Price Index, and the price of silver raised from \$.90 to \$1.29 as it was in 1963, this operation would now be in operation and not asking to be covered under the 125% subsidy of the current bills.

We have attached (1) A graph showing Index Of Cost Fluctuations. (2) A graph showing Production Per Man Shift and Number of Men Employed 1941 to 1958. (3) A graph showing Production 1901-1959. (4) A table—Bald Mountain Mining Company Cost Per Ton Of Ore Milled (Exclusive of depreciation, administrative expenses, Taxes, and Officers Salaries and Expenses, and Research and Development Expenses.)

*Bald Mountain area production, 1901-59*

Company	Tons	Ounces of gold	Ounces of silver
Portland, Trojan Bald Mountain	3,613,858	634,579	1,889,348
Clinton	23,437	7,088	4,695
Mogul	907,527	212,679	440,495
Imperial	242,647	55,232	86,127
Ofer	120,397	25,071	83,027
Alameda	6,667	1,969	3,682
American Eagle	82	41	429
Apex	75	39	56
Crown Hill	1,228	331	365
Dakota	150,176	27,215	7,718
Folger	901	232	174
Dakota Midget	8,314	2,753	2,138
Decorah	3,341	911	894
Gold Dollar	1,160	323	671
Jessee Lee	201	49	-----
Juno	270	50	57
Marco Polo	719	126	89
Snowstorm	1,063	380	864
Two Johns	5,593	1,469	1,821
Total	5,087,656	970,537	2,522,590
Golden Reward	956,992	371,382	734,223
Lundberg-Door-Wilson	219,068	43,617	60,088
Reliance	187,784	27,002	10,090
Others	7,391	1,268	815

Production of gold and silver from Cambrian deposits to 1900, is estimated by Allsman (1940, p. 26) to have been \$19,540,000.

Mining procedure is rather simple in this area and methods have not changed a great deal since early days of operation. Mechanization and better utilization of manpower and supplies allowed prolonged operation during the inflationary period following World War II. In general, operating costs are reasonable, compared to some other areas, and, with a moderate increase in the return for your gold, such as the 125% subsidy called for in this bill, profitable operations will again be possible. Considerable ore reserve is known to exist in the Bald Mountain area (at least as much as has already been removed) and large, potentially productive areas which are virtually unexplored will undoubtedly yield substantial tonnage.

Future production from the area will depend on the abilities of the owners to maintain properties and facilities until aid is given to them through a subsidy bill such as this one. Time is running out, taxes and upkeep with no revenue coming in is rapidly dissipating private ownership, failure of the Federal Government to take cognizance of this will result in tangled ownership and the necessity of making large expenditures for reconsolidation and erection of new facilities if they wait too long to act. It is our opinion that it is already too late in some mining areas and it would take more like a 200% subsidy rather than the present 125% one called for in this bill. In many instances in the past this has been the history of most of the gold properties in the Black Hills. Should this bill become law, during our rehabilitation and buildup period, further property acquisitions could be made and geological and operational problems studied. This would contribute much to the future possibility of a very efficient, moderate sized operation with greater capability of surviving inevitable inflationary periods.

## PROJECTIONS

It is obvious from the above that if this bill becomes law with the background of operations and ore reserves, this company and many other like it would reopen immediately and add to our needed gold reserves with its production.

The bill refers to 1939 as a base year, which in our case we feel would distort the picture as this happened to be an unusual year in our case due to the milling of some high grade ore, therefore, we attach hereto a chart showing our operations in detail for the years 1934 through 1943, with a summation for the years 1934-1942 inclusive. It is this latter summation which we have used as our base period and have made our projections from it. All charts which follow show the operations and costs exclusive of depreciation, administrative expenses. Taxes, Officers salaries and Expenses and Research and Development Expenses. These latter costs and expenses were not available at the mine office at the time of preparation of this statement.

## Bald Mountain Mining Co. operating statements

Tons mined	1934-42, inclusive			1st full year after startup	
	Amount	Per ton	Average	Amount	Per ton
Ore.....	1,031,561.00		\$114,617.89	\$114,617.89	
Waste.....	90,475.00		10,052.78	10,052.78	
Total.....	1,122,036.00	\$1.908	124,670.67	124,670.67	
Ore Purchased.....	897.95		99.77	99.77	
Mine expense: Tons mined.....	1,031,561.00		114,617.89	114,617.89	
Superintendence.....	\$49,075.00	\$0.048	\$5,452.78	\$12,823.20	\$0.112
Labor.....	1,364,399.01	1.321	151,599.89	440,484.07	3.843
Power.....	133,610.40	.130	14,845.60	13,000.00	.113
Supplies.....	173,831.20	.171	19,647.91	56,633.08	.494
Timber.....	62,886.53	.061	6,965.17	10,528.61	.092
Explosives.....	180,260.96	.175	20,028.96	62,885.41	.549
Assaying.....	19,692.13	.019	2,188.01	10,698.47	.093
Repairs.....	136,703.68	.133	15,189.30	40,585.21	.354
Insurance.....	4,953.24	.005	550.36	3,589.89	.032
General expense.....	60,520.52	.059	6,724.50	31,560.01	.275
Building repairs.....	10,658.95	.011	1,184.33	120.12	.001
Mine closing.....	6,856.77	.006	761.86		
Total.....	2,206,248.09	2.139	245,138.67	682,908.07	5.958
Mill expense: Tons milled.....	1,032,827.00		114,758.56	114,758.56	
Superintendence.....	\$53,087.50	\$0.051	\$5,898.61	\$12,330.00	\$0.107
Labor.....	295,123.28	.286	47,315.29	129,643.89	1.130
Power.....	370,829.96	.359	41,203.33	35,000.00	.305
Supplies.....	328,965.33	.319	36,551.70	109,479.00	.954
Cyanide.....	58,395.46	.057	6,448.38	25,546.25	.223
Zinc.....	9,915.16	.009	1,101.68	8,882.29	.077
Lime.....	43,055.30	.042	4,783.92	17,236.08	.150
Assaying.....	20,087.55	.020	2,231.95	10,698.47	.093
Refining.....	13,745.83	.013	1,527.31	5,479.84	.048
Insurance.....	29,054.64	.028	3,228.29	9,757.06	.085
Repairs.....	134,754.12	.130	14,972.68	27,316.54	.238
General expense.....	48,268.92	.047	5,363.21	11,765.34	.103
Bullion charges.....	39,914.20	.039	4,434.91	10,109.39	.088
Building repairs.....	33,101.46	.032	3,677.94	932.64	.008
Test plant.....	28,113.78	.022	2,568.20		
General expense, gas line.....	5,332.15	.005	592.46		
Emergency expense.....	12,441.43	.012	1,382.38		
Mill closing.....	2,601.01	.002	289.00		
Total.....	1,521,787.08	1.473	169,087.43	414,176.79	3.609
Tramway expense: Tons trammed.....	983,069.00		109,229.89	109,229.89	
Superintendence.....	\$2,375.00	\$0.002	\$263.89	\$822.00	\$0.008
Labor.....	28,059.18	.029	3,117.69	7,537.58	.069
Supplies.....	5,360.93	.005	595.66	2,117.94	.019
Maintenance.....	13,500.62	.014	1,500.07	22.79	
Repairs.....	4,038.44	.004	448.72	282.03	.003
General expense.....	67.87	0	7.54	695.44	.006
Total.....	53,402.04	.054	5,933.57	11,477.78	.105
Ore sold: Tons.....	195.82				
Value.....	\$109,564.22	\$559.52			
Freight and treatment.....	(2,904.30)	(14.78)			
Net sales.....	106,659.92	544.74			
Revenue: Ore sales.....	106,659.92	544.74			70
Mill receipts.....	6,705,436.80	6.492	745,048.53	1,672,088.83	14.5
Custom charges.....	3,108.04	.003	345.34		
Royalties.....	57.28	0	6.36		
Rent.....	16,277.12	.016	1,808.57	4,955.48	.042
Miscellaneous income.....	3,781.34	.004	420.15	1,151.21	.010
Total.....	6,835,320.50	6.618	747,628.95	1,678,195.52	14.6

## Bald Mountain Mining Co. operating statements—Continued

Tons mined	1934-42, inclusive			1st full year after startup	
	Amount	Per ton	Average	Amount	Per ton
Expense:					
Mine expense.....	\$2,206,248.09	\$2.139	\$245,138.67	\$682,908.07	\$5.95
Mill operation.....	1,521,787.08	1.423	169,087.43	414,176.79	3.60
Tramway operation.....	53,402.04	.054	5,933.57	11,477.78	.10
Ore purchased.....	8,354.76	.008	928.31	790.00	0.
Overhead.....	262,213.56	.254	29,134.84	79,829.46	.69
Building repairs.....	16,086.31	.015	1,787.37	4,897.39	.04
Building insurance.....	1,267.28	.001	140.81	385.82	0.
Building general expense.....	5,003.24	.005	555.92	1,523.22	.01
Empire mines.....	30,021.28	.029	-----	-----	-----
Total.....	4,104,383.64	3.928	452,706.92	1,195,988.53	10.4
Gross profit.....	2,730,936.86	2.645	294,922.03	482,206.99	4.2

For our income shown in the projected statement above we have used 20,621.99 oz. gold at \$35.00 per oz. plus \$44.00 per oz. as a subsidy and 33,295.83 oz. silver at \$1.29 per ounce, this is the average which our metallurgical reports showed we produced for the years 1934-1942 inclusive. Our graph of Cost Fluctuations shows that by 1958 our costs had risen by 150% of the base period, and we have made an assumption that costs have risen on an average of 3% a year for the years 1958-1966 inclusive and have computed our costs at 274% of the base period costs.

There is much being said about the "War on Poverty," with the passage of this bill it would be a real "Barrage" in our area by the opening of our operation alone, ignoring all the other costs projected above and just taking the payroll alone of \$603,640.74, this would increase conservatively to \$6,036,407.40 in spending and the operation of economic law, and consider that the Federal Government will be obtaining income taxes on this new economy, which again conservatively stated would be 10% of the \$6,036,407.40 or \$603,640.74. The subsidy used in the projection above is only \$907,367.56, therefore the government would be receiving back through taxes from the payroll expenditure alone approximately two-thirds of the subsidy granted, and this does not consider the additional tax they will receive on the balance of \$592,347.79 expended for other items of cost.

The projection is made as the "First Full Year After Start Up," it is obvious we would have to spend approximately six to nine months in rehabilitating our mines and mill and do our development work which as previously stated has been neglected, this would entail also the expenditure of a million dollars at a minimum. The present bill calls for a period of five years, which in our opinion may be too short a period and perhaps should be amended to ten years, since the new equipment and rehabilitation costs are going to be extensive, which will require high depreciation or amortization charges over the first five to ten years. If this bill became law with the five year provision we would commence operations immediately but would be happier with the ten year period and would be in a better position to evaluate our original expenditures. With our present milling capacity we could produce approximately 30,000 oz. of gold the first year and this could be readily expanded by the introduction of new equipment and techniques. There are many properties here in the Black Hills adjacent to or near us that even with the passage of this bill could not open but if this bill was passed they would very likely open their mining operation and have us custom mill their ore or lease their property. Conservatively we have in excess of 7 million tons of proven but undeveloped low grade ore on our property alone. The present management purchased the property in June 1963, only after being assured that the general manager of the mining operation would come with us, which he did, and we have been working continuously in preserving the property and trying to reopen the mill and the mines, we are convinced that this can only be done by passing of the referenced bill.

## GENERAL

In asking for the passage of this bill we are not asking for a "handout", but rather equity, it is a known fact that the producers of gold, have for the past approximate twenty years been giving a subsidy in reverse i.e. they have been producing with a fixed ceiling for their sales price with ever increasing costs, while the user of these products as a commodity have had the advantage of a fixed cost for their major ingredient, but have had the freedom to raise their sales price to reflect the cost of living. As an example, the government sells to the fabricators of gold jewelry, gold at \$35.00 per ounce, but to my knowledge these fabricators do not have any government imposed restrictions as to the price that they may charge for their finished product but are free to go into the market place to deal freely with their prospective customers. This does not mean that we have animosity to the fabricators of gold jewelry or any user of gold as a commodity for that matter, but again ask for equity.

It would be ridiculous if we came asking for a subsidy for an outdated or outmoded product such as valves for a pump organ, or some equally ridiculous situation, but we are not, if our hands were free there would be no problem, there would be more customers than we could possibly handle. Obviously, we have a personal interest in this matter, since Terry Peak Development Corporation would be directly benefited under this bill. However, we personally feel that the issue is much broader than that, this issue affects each and every taxpayer in this country. It has been a tragedy all over the country as one gold mine after another has been forced to close down. But! you haven't seen a tragedy yet if our largest producer is forced to close down, namely Homestake Mining Company, and we hasten to assure you that we do not own any interest in Homestake nor do they own any interest in us. They are our neighbors and as such know probably better than others but it is just as inevitable as the passing of time, you can install saving devices and finding or choosing higher grades but with a ceiling on your sales price, and nothing to assist you to compensate for increasing costs you are bound to come to an economic impasse.

There has been much stated about the fact when the government wanted Uranium and after they made the price attractive enough a thriving industry came out of it despite the fact that competent geologist had stated their doubts as to the existence of sufficient commercial reserves. There is one big difference as to gold there is no question as to the existence of our reserves throughout the country, we understand from competent authority that a large portion of the California reserves have been barely scraped by about 10%. The present general manager of Homestake Mining has been quoted as saying that in 1932 when he started working for Homestake in Lead, he did not think it advisable to buy a home there because of the reserve situation, however, he admits or states that they have been mining for 34 years since then and their present reserves are slightly greater than they were in 1932.

In conclusion, gentlemen it is up to you, the subsidy called for in this bill is an incentive type of subsidy, similar to the one which Canada has for its gold producers, and it is not negative as some of our agricultural subsidies have been. Most mining interests feel that the ultimate solution is to free gold, and we concur, however, as long as representatives of the Treasury, fail to recognize or separate in their thinking the difference between gold as a commodity and gold as representative of our monetary system this will be impossible, and we need gold now, we the producers have it, but we need this bill to pass so that we can obtain it.

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STATEMENT OF LEWIS L. HUELSDONK, BEST MINES CO., INC.

My name is Lewis L. Huelsdonk. I am Vice President, General Manager and Secretary of Best Mines Co., Inc. of Downieville, Sierra County, California. We have operated gold mines in the Downieville—Alleghany district for over 30 years and as late as 1962 (Minerals Yearbook—U.S. Bureau of Mines) were among the 25 leading gold producers of the nation. We were forced to close operations and auction off machinery and equipment in mid 1964. This was due to the cost-price dilemma which all straight gold mining operations face today simply because, for 24 years, their destinies have been placed in the hands of governmental discrimination.

The cost-price dilemma for the gold mines is as real as it is simple. To illustrate one phase of this delicate problem I am attaching hereto published rates (from the local newspaper) that contractors must pay labor in this district in order to participate in contracts. In previous published notices, where build-

ings and excavations are involved, rates are considerably higher. (Carpenters, plumbers, electricians, tractor drivers, powdermen, shovel operators etc.)

The point is that these published hourly rates nearly approximate the daily wage of the miner back in the 1930's when the price of gold was set at the same figure that it is today.

As for the cost of equipment and supplies compared to the period of permissive gold mining, today's purchase of a few pipe fittings, electrical repair parts or an ore truck will tell the story without considering the present \$415.00 price for a flask of mercury.

The whole situation boils down to the simple questions of need. Does America need gold? If so, does America need her gold mines? A study of the Financial Statistics of the International Monetary Fund definitely indicates that America does need gold. In the last 10 years her holdings have steadily dwindled without interruption from \$22 billion to less than \$14 billion while foreign held dollar claims (subject to conversion into American gold) have risen from less than \$15 billion to over \$31 billion. Furthermore the need for gold has driven up interest rates, initiated the clipping of American coins and forced appeals for the voluntary curtailment of American enterprise and tourism abroad among many other attempts to fill the deficiency.

Without further detail, it is apparent that the tangibility of gold is an American need and it makes common horse sense that if America needs gold a sure way to get more is to produce more, especially when the wherewithal to do so is within reach. In this sense America needs her gold mines and since the fulfillment of a need requires an objective, a method and an application the following interpretations should clear up any confusion.

The objective should be the reopening of the idle domestic gold mines and the discovery and development of new gold mines.

The method should be the drafting of legislation that will fully accomplish the objective.

The application should be the passage of the enabling legislation, a long over-due job for Congress.

To further illustrate the need for domestic gold production it might be pointed out that from the inception of the Gold Reserve Act in 1934 to 1942 (the year of WPB Order L 208) domestic gold production amounted to \$1,349,001,700 and net domestic over-all consumption amounted to only \$4,301,533, a ratio of production over consumption of about 313 to 1. The 1964 Bureau of Mines statistics show that domestic production amounted to \$50,970,780 while net consumption by domestic industries, arts and the professions amounted to \$168,035,000 or a ratio of domestic consumption over domestic production of about 3.3 to 1. This means that \$117,064,220 worth of gold had to be drawn from the U.S. Monetary gold reserves to fill the needs of the domestic consumers of gold in 1964. Since a 25% gold reserve requirement is held against Federal Reserve notes this means theoretically that the availability of \$468,236,880 of tangible money supply was lost. If incentive legislation had been in effect which would have provided the needs of the domestic industrial users of gold from domestically produced gold such a situation could not have occurred—and indirectly the program would have more than paid for itself. Furthermore it would have strengthened rather than weakened the dollar.

It has been suggested from a number of sources that the OME program would provide the necessary incentive to reopen the domestic gold mines. In this connection I am attaching to this report a copy of a letter which I had previously written to Senator Ernest Gruening on the subject and which is self explanatory.

In the interest of briefness and because the economic aspects of a revitalized gold mining industry is well understood and much testimony will be given in this regard such consideration has been omitted from this report.

I respectfully urge that your sub-committee carefully consider the merits incorporated in Senate Bills S. 2562 and S. 2596 along with other data and testimony to the end that enabling legislation to relieve the depressed gold mining industry will be enacted.

#### STATEMENT OF ARTHUR I. JOHNSON

In support of my statement, I submit the following facts regarding my education and experience:

I am a graduate of the South Dakota School of Mines and Technology, with a B.S. in Metallurgical Engineering an Academic degree as Metallurgical Engineer and a Professional degree of Engineer of Mines.

I have been actively engaged in the profession of Mining and Metallurgical Engineering, both as a consulting Engineer and in the management and operation of mining properties since 1927. Prior to that time I taught at the South Dakota School of Mines, Rapid City, S. Dak., and Texas A. & M. College, College Station, Texas. To the period ending September 1942, when all gold mining operations were closed down by government order L 208, most of this work was in the field of gold mining and milling. Since that time the work has been in the field of mining and milling of the non-metallic ores from pegmatites together with associated geological studies and interpretations.

I am a member of the American Institute of Mining, Metallurgical and Petroleum Engineers, a member of the South Dakota Engineering Society, a member of the National Society of Professional Engineers and a licensed Mining Engineer in the State of South Dakota.

My work has been in all sections of the Black Hills of South Dakota, sections of Wyoming, Colorado, Arizona, New Mexico and California.

At this time there is definitely a need for gold mine assistance of a substantial amount in order to develop an interest in the production of gold. Because of the nature of the metal involved—its association with the settlement of trade balances between nations and the relationship it has to present monetary standards, the Treasury Department of the United States has been firm in its insistence to hold the price of gold to \$35.00 per ounce, irrespective of the fact that the figure is entirely out of line with the cost of production of the metal. As a result, practically, the entire gold mining industry in this country has been closed down. Today costs for labor and supplies have almost trebled. Hence it is impossible to produce gold at a profit except from high grade reserves.

The continued loss of gold from our monetary stocks is indicative of the need for additional gold supplies by all nations. All signs are that this drain will continue, and, present indications are that this may go on for many years. A further drain on our supply of monetary gold is the increased demands of industry. This is now over four times our present production. Hence this phase of our economy, in the future, may demand increasing amounts of the precious metal.

Being familiar with the reserves and attendant problems of production in the Keystone district of South Dakota I would like to present the basic facts that will determine whether further amounts of gold can be produced in that district. These facts I believe are basic to many other potential gold producing areas.

The Keystone Group of gold mining properties, prior to September 1942, was operated at a profit. At that time due to the prevailing labor costs and cost of supplies this was possible. Since that time both these costs have increased substantially three-fold. I am substantially in agreement with the thinking behind this bill for assistance to the gold mining industry but feel it would require a total of some \$100 per ounce to place the industry in the position it was in economically at the time order L 208 was issued.

A study of the gold ore reserves of the Keystone District, typical of many other similar areas, indicates that over a million tons of gold ore are available to a depth of the lowest working level in the area, the 1000 foot level. These reserves have a value of 0.14 to 0.17 ounces of gold per ton of ore. The present value of this ore on the basis of \$35.00 per ounce will vary from \$4.90 to \$5.95 per ton. These ores were being mined at a profit in 1942. Further, a study of the records of production in the district, indicates that some \$2,000,000 has been produced under gold process varying from \$20.67 per ounce to \$35.00 per ounce. With the continued improvement in the technique of prospecting and discovering ore further reserves should be outlined. Further, present studies indicate that the deposits, where reserves can be substantiated, can be expected to continue to much greater depths than outlined by the present development level, hence outlining additional reserves of ore.

Hence, in view of the fact that gold is still the best standard for international settlements, as is well evidenced by the transactions in gold during the past several years, this demand will continue to increase as international commerce grows. Our own industry will require larger amounts of gold in the future, as indicated by a study of the facts. It is therefore essential that something be done now to stimulate further production of gold. This can only be done by an increase in the return to the gold mining operators, as outlined by assistance now under consideration.

## STATEMENT OF LOREN E. THOMPSON, SR., PARKERSBURG DIE &amp; TOOL CO., PARKERSBURG, W. Va.

## DEVELOPMENT OF SAPROLITE GOLD DEPOSITS, APPALACHIAN MOUNTAIN REGION

Mr. Chairman: I wish to take this occasion to extend to you my appreciation and also to the Committee, as well as others, for their interest and efforts in trying to solve the gold miners' problems. I further express my sincere appreciation, at this time, for being able to speak before this Committee in support of the current issues which are expected to bring some relief to the gold mining industry and also to the Federal Government in its balance of payments deficit.

My comments are unorthodox in nature. They do not deal with the effects of the monetary systems or problems. Sufficient conjecture has already been expressed along these lines. My remarks deal with the basic problems from the miners' viewpoint, grass root technology if you please.

My name is Loren E. Thompson, Sr., of Parkersburg, West Virginia. I am the owner of the Parkersburg Die and Tool Company of Parkersburg, West Virginia. I engage in various types of manufacturing. These include general machine shop items, machine tools, special equipment, design, research, and development of specialties, defense work for the government both civilian and military. One of the products of my research and development work is the "Split-Water Process" of mining. "Split-Water Process" is the technical term I apply to the technique of mining Saprolite ore.

Mr. Chairman, with your permission, I would like to introduce a few basic remarks which should be made part of the record. These remarks cover an area of potential minerals and mining that might otherwise be forgotten as these hearings proceed.

All economists recognize the fact that mankind's constant endeavor to achieve in his manner of living, his manner of education, his manner of exploring new fields in all phases of science, his manner of expanding, his manner of helping his fellow man, his very manner of existing, has, in fact, been a constant stimulant for man to look and search for and to develop new types and sources of raw materials.

In no other time in history has the endeavor been so centered around the development of rare metals and minerals and their discovery, by-products, mining and refining techniques.

In this connection, all stable economy has for its basic foundation, the ability of man to produce from the great storehouse of creation—the earth itself. In conjunction, each generation always has been able to find the correct equilibrium in its economy by adjusting the various factors of value of natural resources produced from the earth.

In our time, we look at the effort of the American Government in the early 30's to re-adjust the economy of the United States, or in fact, the whole earth by the revaluation of the mined gold reserves. While only a short decade has transpired since this adjustment, it must be remembered that the pace of man's economy is moving much faster today than in the early part of the 20th century.

Inflationary trends already have overtaken the progress of the last readjustment of our economy and has long destroyed the correct equilibrium of balance. Therefore, no other alternative is available to our government in attempting to retard the rapid pace with which inflation is now destroying this equilibrium of balance but to reevaluate our metal and mineral reserves. This, in turn, will automatically advance the progress of mineral and mining development.

New methods of mining, new techniques of processing and recovery are constantly being looked for by men of vision in these various fields. In addition to the development of new kinds of equipment new mineralized areas and locations; in most cases unproven in worth and value, are being prospected and evaluated.

These new valuations, in most instances, call for and demand the complete new development of technical devices and machinery to effect satisfactory recovery from the scattered value which occurs in mineralizations that, by reason of necessity, now at this time, must be made possible to develop. The "Split-Water Process" of mining and recovery is one of the products of this urgent demand.

In conjunction, the Appalachian Mountain system of the Eastern United States is one area of extreme importance in considering the possibility of developing new minerals and new sources of mineral supply. Other areas of the continental

United States and other sections of the earth may also be considered; in fact all of these sections likewise must be considered important in view of the situation as it exists today.

I, having observed the moving trend of the economy for many years, have, in fact, studied many of the pros and cons and possibilities of the development of these low paying mineral areas which, in many instances, cease to be properly identified as belonging to the submarginal group.

However, the correct analysis, in the terms of general mineralization, would immediately identify and place these sources of mineral in the single category of producers of one or two outstanding value elements if it were not for the complex co-existence of many strategic elements in the general mineralization of these mineral deposits.

This common co-existence of many elements, in turn, leave the possibility of development and recovery of values in a very complete complex field and often very technical and beyond the realm and reach of the average thinking of ordinary field personnel. This fact alone has delayed the proper development of many economically sound mineral and mining projects.

Many field trips have been enjoyed while studying the possibility of development of satisfactory technical equipment to overcome this difficulty. These field trips have taken me from the various mineral belts of the Appalachian Mountain Ranges to the Central and Southern Sebara Mountain Ranges of Senora, Mexico.

The Southern Appalachian Mountain Region, consisting of parts of the State of Maryland, Virginia, North Carolina, South Carolina, Georgia, and Alabama contain several thousand square miles of mineral zones. Many individual mineral belts are found in these southern states. The Piedmont Region, starting near Washington, D.C., crossing the state of Virginia, North Carolina, and into South Carolina, is one of the defined mineral zones. The Blue Ridge Region in North Carolina, the Upper Piedmont Region, and the Piedmont Plateau have caused the state of North Carolina to classify its "Gold Deposits" into the following mineral belts:

1. The Eastern Carolina Belt.
2. The Carolina State Belt.
3. The Carolina Igneous Belt.
4. The Kings Mountain Belt.
5. The South Mountain Belt.
6. The Mines West of the Blue Ridge or The Western Belt .

These mineral belts extend across the State of North Carolina, into South Carolina, and into the State of Georgia.

The State of Georgia embodies probably the largest and most extensive mineralized zones in its Upper Piedmont Belt and Lower Piedmont Belt. The mineralized zones extend across the state from the North-East to the South-West. The State of Alabama has five mineralized zones which cover six counties.

The mineralized zones are very large and are listed as follows:

1. Ashland Mica Schist.
2. Wedowee Formation.
3. Tallodega Series.
4. Hillabee Schist.
5. Pickneyville Granite.

These Appalachian States with their various mineral zones covering millions of acres, contain unimaginable amounts of wealth in mineral elements. Gold is the leading element of value in all of these mentioned regions. The values for the most part are found in Saprolite ore.

The term "Saprolite" is a Greek word meaning "rotten rock." This decomposed matter starts at the grass roots and extends to an average of from one to three hundred feet into the mineral formation. Usually, below this depth, the formations are hard and are generally found in the originally composed state.

Many attempts have been made in the last one hundred years to mine or recover gold from the Saprolite ore. All attempts have ended in failures. Ironically, nature still retains all of this wealth in its natural storehouse, while for the most part the geographic areas involved are in a distressed condition. Unemployment is high and job opportunities are few. Many of the areas described are included in most of the recent distressed area Legislation, anti-poverty measures and general public relief inactments. Considerable of the area described

is also included in the more recently coined word covering the distressed areas of these regions as "Appalachia". The term "Appalachia" has already been elevated to its proper place of being. Regretfully, from my point of view, under the present neglectful circumstances, the entire gold mining industry is now virtually in "Appalachia".

Regardless of how regretful, our national gold reserve is declining very rapidly. Unfortunately, our sincere and active efforts to explore, develop, and operate new gold mines is declining at a much faster rate, while such an abundance of potential wealth is available, not in a region such as the wilds of an unexplored land, or in a country containing impassible mountains, or in deserts which defy the existence of men, but in a region surrounded by all of the benefits of man's advanced civilization, including the effort of the last several Administrations to bring assistance to these regions through the enactment of various assistance and anti-poverty programs including the constructions of much needed highways and roads, schools and school programs, education and education programs and help to various municipalities, cities and villages. All are very much needed, helpful and much appreciated in the local areas.

However, none of the measures acted upon tend to provide a source of continued employment for the people, or assisted to any extent, in the manner of developing the potential resources of the regions, which would enable the local residence to be gainfully employed. The present proposed Legislation Bills S. 1377, S. 2562, S. RES 83 and other companion measures, contain a clause to encourage exploration, development and commencement of new gold mining. The enactment of these measures are most urgently needed at this time to further the development of these regions and to take whatever advantage that may be available in already enacted measures which may apply to the areas involved.

Problems? . . . Yes, we have problems and we intend to overcome these problems and we are overcoming these problems. Nevertheless, we must have relief from the economic distressed condition which now plagues all of the gold mining industry whether located in the Eastern Appalachian Mineral Belt or in the great mining states of the West which have so proudly contributed to the great development of this nation through their minerals and metals.

As an introduction to some of our problems, I would like to quote, at this point, from Bulletin No. 38, Department of Conservation and Developments, of the State of North Carolina. (The remarks about the recovery of gold can be applied to all of the Southern Appalachian mining states.)

"Since the revival of gold mining in North Carolina in 1930, two other processes were experimented with, and both were soon abandoned.

"The first process was tried on the Saprolite ores of the Portis Mine in Nash County and later at the Black Ankle Mine in Montgomery County. It is reported that over \$150,000.00 were spent in trying to prove this particular process, which was known as the 'Centrifugal' or 'Lewis Process.' The soft decomposed rock or Saprolite was dug by a steam shovel and delivered to the plant by dump trucks. The ore was dumped on a grizzly, the large fragments of quartz and hard rocks were thrown aside, and the fines dropped on bucket elevators. The bucket elevator hoisted the material to the top of the plant and emptied it into a 40-ton log washer or disintegrator. From the log washer the material is emptied on a screen. The coarse material was stacked for later grinding in ball mill, while the fines went direct by trough and pipe into the centrifugal machine.

"The centrifugal machine consisted of cylindrical bowl mounted in such a manner that it would revolve at varying speeds. The centrifugal machines were used in batteries of four and were said to handle fifty tons each of ore per day. The inside of the bowl was lined with horizontal grooves about  $\frac{1}{4}$  inch in depth. The sludge or disintegrated material was fed by 4 inch pipe down the center, and the material was discharged at the bottom of the bowl. The bowl was revolved at varying speeds, depending on the consistency of the sludge entering it. The material was discharged by the centrifugal motion over the sides of the bowl, while the mercury, and any gold it might have picked up, was caught in the grooves. Since the ore consisted of a great deal of very plastic clay which had the tendency to pack into the grooves when the machine revolved, thus causing some of the mercury and gold to be discharged over the rim, the process was a complete failure. The ore, according assays, showed an average of about \$2.00 per ton, while the machine recovered only \$0.40 to \$0.60 per ton.

"After this failure at the Portis Mine, the entire plant was removed to the Black Ankle Mine in the North-Eastern part of Montgomery County. After several futile attempts to operate this plant profitably, it was finally abandoned. A great deal of the machinery is still at the property.

"The second process recently attempted in North Carolina is an electrical or Gardner Process. The plant erected at the Parker Mine, near New London in Stanley County, did not prove successful and was soon abandoned. Various reasons are given for the abandoning of this process at the Parker Mine, among which are: the clay or Saprolite did not contain sufficient gold; the process failed to recover the gold; and there was some dispute between the man financing the proposition and the engineer in charge.

"The plant consisted of a revolving drum or disintegrator, sluice boxes, the necessary screens, and the electrical amalgamator. The ore was mined with drag, emptied on a grizzly, the coarse material piled for later grinding, and the fines shoveled by hand into the disintegrator. Some large quartz pebbles were also placed in the disintegrator to help to break up the plastic clay. The sludge from the disintegrator emptied on a screen which took out bits of wood, leaves, and other foreign materials. The clay sludge emptied into sluice boxes with riffles for collecting the coarse gold. The fine gold was to be recovered by the electric amalgamator.

"The electrical amalgamator consisted of two copper plates, one above the other, about one inch apart. The plates were silvered, the top plate on the bottom and the bottom plate on the top, then mercury applied to both plates. The two plates were used as electrodes for an alternating current. As the sludge passed between the plates the electric current caused the precipitation of the gold either on the top or the bottom plate, depending on the flow of the current.

"Since the above electrical amalgamator did not prove successful on the ores in North Carolina, further developments were made, and at the present time two of such machines are being used at the recovery plant built near Gold Hill to recover the Gold Hill tailings. The present amalgamator consists of a shaking table about  $2\frac{1}{2}$  to 3 feet in width and six feet in length. Mercury pools are placed at regular intervals across the table, about three or four to each table. Immediately above the mercury pools there are three vertical aluminum plates. The table is covered with rubber, as this proves to be the best material for it. As the sludge is passed over the table the electric current is turned on and the table is made to vibrate. The process did not prove successful, and, after an expenditure of \$8,000.00, the plant was abandoned.

"A pilot plant of this type has been erected at the James Laboratory, Newark, New Jersey, by Mr. Frank J. Gardner, New York City, in cooperation with Mr. U. S. James. Several batches of low grade ore have been shipped from North Carolina to the plant, and it is reported that the values have been recovered up to 98% of that contained in the ore. All types of ores have been tried, the hard ores ground and the softer ores disintegrated by various methods. However, this process did not prove successful on the North Carolina ores.

"It is impossible to give any definite information as to the value of the placer deposits in North Carolina. These deposits are usually spotty, of indefinite value and quality, and it is only through careful investigations that the values can be determined. Records show that they were quite variable, ranging from a few cents to as high as \$20.00 per cubic yard. Generally speaking, however, the values are less than \$1.00 per cubic yard. In the vicinity of Portis Mine, in Nash County, some of the gravel deposits show from 10 cents to 50 cents per cubic yard, while the Saprolite show from \$1.50 to \$12.00 per cubic yard, with an average of \$2.00 to \$3.00. Numerous assays have been made by various companies on the Portis property, which shows an average of better than \$2.00 per yard.

"At the Parker Mine, in Stanley County, the placer and Saprolite deposits show a gold content from 10 cents to \$2.50 per yard. However, the values are not uniformly distributed, as there seems to be a concentration on the surface from four to six inches in depth with a further concentration on the bedrock, with little or no values in between.

"Saprolite deposits in Montgomery and Randolph Counties show values from 50 cents to \$3.00 per yard, usually rather spotty, and it is impossible to give the average of the deposits until further prospecting is done. In some sections, however, there are possibilities for commercial production.

"In the placer and Saprolite deposits the gold is usually fine; although in certain localities, as the Reed, Parker, and Portis Mines, some coarse gold is found. Some very fine nuggets have been found at the Reed and Parker Mines.

"Due to the nature and distribution of the placer deposits in North Carolina, every known method has been used in an attempt to recover the gold from the Saprolite materials. These methods included hand panning, sluice boxes, rockers, Hydraulicking, log washers, Snodgrass machines, trommels, centrifugal machines, and in three instances, dredges. A great many of the processes used have been failures, due to the clayey nature of the deposits.

"The most successful methods attempted so far on a large scale have been hydraulicking, Snodgrass machines, and trommels. The old reports show that dredging methods attempted on the Catawba, Uharie Rivers and fishing creek proved unsuccessful. Various reasons have been given for the failures of these dredges. The older inhabitants of the above sections state that the companies were unable to secure sufficient properties, others state that the dredges were not able to handle the clayey materials.

"In such sections of the State, especially at the Portis and Parker Mines, the abundance of plastic clays has made the recovery of the gold an impossibility. Several methods have been tried out unsuccessfully to disintegrate the clays. They clay is so tenacious that if trommels are used, the gold is so pulverized that it floats out in the clay slimes. The Snodgrass Machines and log washers have also proved unsuccessful because the quartz fragments tend to prevent the revolving of the blades within the drums. After the clay has been thoroughly disintegrated by these methods, the gold is worn so fine that it floats out in the slimes and does not come in contact with the amalgamation plates.

"Two problems will have to be solved before many of the placer deposits can be operated profitably in North Carolina. The first problem is the disintegration of the clay without the pulverizing of the gold to such a fineness that it floats out in the slimes. The second problem is the recovery of the gold from the clay slimes at economical cost regardless of the fineness of the gold. If these two problems can be solved and the ore can be handled at low cost, there are many placer and Saprolite deposits in the Southeastern United States which could be worked profitably.

"A process of disintegration will have to be worked out in which the gold will be eliminated in the very beginning so that it will not be pulverized to such a fineness that it will be impossible to recover it. After the clay has been completely disintegrated, some process of recovery will have to be devised to recover the fine gold from the clay slimes. All processes so far attempted have been failures due to the inability of the operators to recover the fine gold by straight amalgamation and on English blankets, as the clay, more or less in a colloidal state, coats the plates in such a manner that the gold never comes in contact with them. Also the burlap blankets and English blankets become so covered with the fine clay that the gold floats off in the water."

It appears, from the quoted remarks, that there are several problems which will have to be overcome before any extensive gold mining can be done in the Appalachian states, with any degree of success. Reference is made to the fact that the values are spotty and range from 10 cents per yard to \$20.00 per yard, but generally average less than \$1.00 per yard with some of the Saprolite averaging between \$2.00 and \$3.00 per yard. Further reference is made to the remarks about the technical problems which will have to be solved. 1. The disintegration of the clay. 2. The recovery of the gold from the clay slimes. If these two problems can be solved there are many Saprolite deposits in the Southern states which can be worked at a profit.

I am pleased to advise that after a long and trying period of research and development, starting in 1940, excluding the war years, with an expenditure of approximately \$500,000.00, I have achieved a complete break-through on the last two problems.

The "Split-Water Process" is a mining technique which has been designed to process clayed ores which contain gold, silver, platinum, copper, rutile, ilmenite, titanium oxide, zirconium, etc. This process is the only known process capable of reducing tenacious mineral clays which contain the values in the Saprolite mining belts of the Appalachian Mountain Range into a refinable concentrate rendering the values in marketable condition.

The "Split Water Process" has the unique features of being able to dissolve the tenacious clayed materials causing the ore gangue to go into a perfect state of suspension, thereby eliminating the clay balls which have robbed the values in all of the known attempts in mining this material.

The "Split-Water Process" has additional capacity to deslime the ore gangue after it is put into a state of suspension thereby recovering all the fines of selected specific gravity classification. No chemicals or agents are required. The gold is recovered as free natural grains as produced by nature from the quartz.

The sands and gravels are all classified and made available for sale as a by-product or for building materials.

The ore gangue, which consists of Saprolite, mineralized zones, schists, gneises, decayed rock formations or any other type of ore which may contain recoverable values, usually have such scattered and dissimulated values that the quantity of value in each field ton would not pay to process from the usual mining or milling standpoint.

The "Split Water Process" has been specifically designed, since most of the ores are now oxidized or weathered in place, in some cases to depths of 200 to 300 feet, to reduce the tremendous bulk of the field ore conveniently into a field concentrate with a ratio of approximately from 100 to 1.

The various parts of the field gangue are divided into the correct classifications and may be marketed as a number of by-products. The valued elements, such as metallic minerals, oxide elements and all various forms of recovered values may be refined to suit the available market to the best advantage.

Mining machines employing the technique as just described are complicated and very expensive to manufacture. A complete "Split-Water Process" installation costs \$1,000,000.00 for a 500-ton unit, and a 2,000-ton unit would cost \$2,000,000.00. Technical management is exacting and requires considerable advanced planning with long range views. Investment capital mounting into the millions of dollars will be required.

In viewing these facts, the problems appear insurmountable with the present \$35.00 price of gold. Financing in these amounts cannot be arranged for easily unless tremendous potentials in deposits are proven and the general public more enlightened.

However, the enactment of S. 1377, S. 2562, S. Res. 83, would immediately stimulate the incentive of the speculative investors. At least some public knowledge would be gained that the government is trying to assist through affecting Legislative measures to make it economically possible for an abandoned mine to be re-opened or for the acquisition, development and operation of new mines. The enactment of this Legislation is long overdue and is virtually imperative at this time to make possible the acquisition of the necessary capital to acquire and develop mines with the present high cost of capital equipment.

The present high cost of gold production will not lessen in the present foreseeable future. However, quite to the contrary; additional higher cost of operations will undoubtedly occur. With the present price of gold, only the operations of the most richest properties or unusual discoveries can be maintained at a profit to investors. Even with these, no margin is conscientiously available to management which will permit prospecting and exploration of new ore bodies or the development of new techniques both of which are absolutely as necessary to the gold mining industry as any other of our national industries such as the production of petroleum and its products, mining of coal and its by-products, the steel industry and the lumber industry, only to name a few. These industries have all been assisted by the Federal Government in various ways at different times. At least the price of their commodities are not under absolute government control.

Considering the present price of gold, million of acres of Saprolite ore deposits might be considered sub-marginal for first-class speculative risks, even though very rich streaks occur quite frequently.

In order to mine these Saprolite zones profitably, considerable testing or surface-blocking-out is required. This exploration work in Saprolite zones is very technical and very expensive. Special trained crews are required and portable equipment which produces actual mining values using the "Split-Water Process" technique is expensive to manufacture and operate.

The enactment of S. 1377, S. 2562, S. Res. 83 and its companion measures would immediately stimulate the possibilities for the acquisition of funds for exploration and development work to prove the mining potentials of the mineral deposits.

The gold mining industry deserves and is entitled to whatever benefit these measures may or can provide toward gold mine assistance and gold mine revitalization. Even these measures will not cure or provide 100% effective assistance for all of the miners' problems. Assistance is required in several forms to enable the gold mining industry to get started again. Financial, technical, academic assistance are all required if the industry is to regain its rightful place in our progressing economy.

Financial assistance in various forms is badly needed since the industry is faced with extremely high cost "get started" period. Enactment of the current

Legislation and any companion measures will be a step in the right direction at this time.

Assistant payments or subsidized operation cost will enable capital to be obtained from many investors who will feel assured of at least a minimum reasonable return on their investment. The neglectful plight which the gold mining industry has been forced into, first by the War Production Board Order No. L-208 and then by the continued refusal of the various Administrations to take action on this individual product of a very vital segment of this Nation's economy, has, in fact, damaged to a near unrepairable extent, the gold mining industry's ability and opportunity to acquire capital investment funds from public investors.

Consequently, new public knowledge and assistance will be necessary to enable the gold mining industry to get started again.

The enactment of the present proposed legislation will not only assist gold mines but also will in effect assist other related industries. Many of the minerals areas have little or no industry to furnish gainful employment for the people who live there. The proposed legislation is sound and logical. It does not extend any further into the world monetary system than to convince foreign observers that action is being taken to maintain our dollar with ample gold reserves showing the fact that our natural resources are still more than ample to maintain the stability of our country's economy.

Foreign observers are fully aware of the fact that the hard shell of our credit and monetary stability could well be broken by the "inconsistent and uncontrollable" "do nothing attitude" of the various central government departments. Once the backbone of our reserves is depleted to the place where it is too late it would be very hard to recover from that position since one of the most expensive necessities of mining and development work is *time* and at that point, that will be a commodity that cannot be legislated into existence.

Looking over my own past experience as limited or as broad as it maybe, nevertheless, I am most surely appraised of the problems and difficulties that face the mining industry at large at this time. In my individual case, the "development of the gold bearing Sapolite ores" of the Appalachian Mountain Region, it appears like a one-man battle against an unconquerable foe possessed with an unyielding might which can never be conquered. The gold mining industry in each section of this country is faced with similar unconquerable obstacles, all of which can be overcome and will be overcome. The gold mining industry will not stand idle or useless, nor will the American people stand for this industry to remain idle or useless for long.

The American people have always been able to overcome various difficulties whenever they arise and in this case, if it requires new Legislation, that will also be enacted.

Therefore, I urge that every possible effort be made to persuade the present or approaching sessions of Congress to act on these Measures. They are not only vital to the gold mining industry and its benefactors, but they are vital to the American people and to our American Government.

Chaos will not befall us, as some have expressed, but on the contrary a great American industry will start to grow again and bring new economic vigor to many sections of our nation and new strength to our economy and new investment opportunities for American capital at home—not abroad.

Mr. Chairman, gentlemen, I thank you for this opportunity to express these views. As in the past, I shall continue in my endeavor to bring the gold mining industry to the Appalachian States.

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STATEMENT OF MERRILL E. SHOUP, PRESIDENT, THE GOLDEN CYCLE CORP.

Mr. Chairman and gentlemen of the Committee: My name is Merrill E. Shoup, and I reside at 17 Broadmoor Avenue, Colorado Springs, Colorado. I graduated from Dartmouth College in 1921 with an A.B. degree, and from Tuck School, Dartmouth College, in 1922 with an M.C.S. degree. Subsequently, I was an Instructor in economics, banking and business at Dartmouth College from 1921 to 1922, and an Instructor in economics at Brown University from 1922 to 1924. I studied law at Harvard University, the University of Colorado, Denver University and the University of Southern California, and was admitted to the Colorado Bar in 1927. I am President of two small national banks, a Director of three, the President of the second largest beet sugar company in the nation, a railroad Director, and the Chief Executive of many other enterprises.

I appear before this Committee to submit a statement concerning S.J. Res. 44 and related gold problems in behalf of The Golden Cycle Corporation and particularly for the Cripple Creek, Colorado, Gold Mining District. The Golden Cycle has been the principal operator in this District in both mining and milling for more than sixty-five years, and I have been associated with the Corporation for the past thirty years, having been its President since 1938. Max W. Bowen, Executive Vice-President of the Corporation assisted in the preparation of this statement. Mr. Bowen has been engaged in the ore mining and milling business continuously since graduating from the Colorado School of Mines, with the degree of "Engineer of Mines" in 1924.

It is our understanding that these particular Hearings are concerned only with the gold production segment of the gold industry and not the monetary end of the gold problem, so this statement will be confined to the production end only of the gold industry.

The decline in production of gold in the United States and more particularly in the Cripple Creek District, began after the United States entered into World War II when priorities were being imposed, but the Gold Closing Order L-208, dated October 8, 1942, greatly accelerated this decline. Ore mined in the Cripple Creek District is primarily gold ore with a very minor amount of silver, but with no other commercially recoverable metal. It was for this reason that priorities during World War II worked such a great hardship on this District. The Golden Cycle Corporation was granted permission to continue its gold mining and milling operations in a very limited way after Order L-208 was imposed in 1942, provided it would convert a portion of its Golden Cycle Mill to the milling of base metal ores. This was done and a large contribution towards the war effort was made through the production of lead, copper and zinc concentrates during the war years. However, the decline in gold production was so great that the District was never able to gain back its position as the second leading gold producing district in the United States. The statistics and graphs given in an article, "How About Gold? Where mined and future production outlook" by A. H. Koschmann and M. H. Bergendahl, United States Geological Survey, Denver, Colorado, published in Mining World, January 1961, substantiates the general statements made above.

The Cripple Creek District gold production (recovered and sold), second only to Lead, South Dakota, amounts to more than 19,000,000 ounces (\$665,000,000) from 1892 through December, 1961. The total production for United States, including Alaska, through 1958 amounted to approximately 296,000,000 ounces. Colorado produced 40,424,205 ounces, so it is seen that the Cripple Creek District produced approximately 6.4% of total U.S. production and 21.2% of Colorado's gold production. Colorado has produced approximately 19% of the U.S. production. The same governing factors apply to the gold industry as a whole as they do to the industry in Colorado and likewise to the Cripple Creek District, with one exception. The Cripple Creek District depends solely on gold values, while in most other camps in the United States, gold may be associated with silver and/or base metals. For this reason we will confine our remarks and data in remaining statements to the Cripple Creek District.

The tabulation on Exhibit "A" gives the production of the Cripple Creek District from 1937 through 1961 grouped into five year periods. The first five years (1937-1941) covers the good production following the increase in the price of gold in 1934, from \$20.67 per ounce to \$35.00 per ounce. This period runs into the "war priority period", but the L-208 period begins in latter part of 1942. The draft period and transfer of gold miners to other classification of labor also had a decided effect upon the Gold Mining Industry. It is seen by these figures that during the war period (including L-208 period), the production dropped greatly and as base metal ores were milled during 1943-1946 inclusive, the gold production was a minor part of the value of the ore during this period. During the periods after 1946, the entire tonnage was produced from the Cripple Creek District. The Carlton Mill began treating ore in the Cripple Creek District in May, 1951—the Golden Cycle Mill in Colorado Springs having been abandoned in February 1949—and during the years 1951-1953, inclusive, treated a large tonnage of dump ore, consequently the total tonnage of ore treated was higher than the succeeding years, but the average grade of the ore treated was lower. The mining and milling costs during these twenty-five years were continually on the increase, consequently the margin of profit was decreasing and as a result of these two conditions it was imperative that only the higher grade ore be mined in order to maintain a meager profit.

Between 1935 and 1960 :	Percent
Population of Cripple Creek district decreased.....	80
Number of employees-mine and mill decreased.....	85
Labor cost increased.....	157
Power cost increased.....	67
Timber cost increased.....	170
Drill-steel cost increased.....	151
Machinery cost increased.....	196
Mill supplies cost increased.....	205

During the period 1935-1961 the number of regular operating mines decreased from 40 to 4 and only two of the four were making daily shipments to the Carlton Mill.

#### EFFECT OF WORLD II AND L-208

The gold mines that were operating when the United States entered World War II encountered increasing difficulty in operating which condition was climaxed by Closing Order L-208, October 8, 1942. These mines did no more exploration work than necessary to maintain production during these difficult times, consequently when the Closing Order L-208 was imposed upon them, most—probably only one or two exceptions, notably Homestake Mine at Lead, South Dakota—of the gold mines had exhausted all their known and/or developed ore reserves. The continually rising costs in the mining industry precluded most of these mines from ever resuming operations. Those few that were able to resume operating after the rescinding of the Closing Order L-208, had “guttered” their mines by mining the better grade ore only—again with only a very few exceptions—consequently, they had exhausted their reserves and likewise their working capital to the point where they were forced to abandon their mines completely on account of sheer adverse economic conditions which have prevailed in recent years.

#### EFFECT OF THE LOSS OF MINERS AND CAPITAL INVESTMENT

Prior to World War II there was an abundance of gold miners in the United States and the “financial climate” was quite favorable for Capital Investments being made in gold mining projects. During the depression years of the early thirties both the mining labor and Capital Investments in mining showed a decided trend towards gold mining and more particularly after the price of \$35.00 per ounce was established in 1934, for newly mined gold. However, this trend was quickly reversed when L-208 was imposed upon the Gold Mining Industry. Gold miners were given their choice of transferring to mines producing metals needed in the war effort or being drafted into the armed forces. Likewise Capital Investments went into war effort business. The net result of these two conditions is that *neither the miners nor the Capital Investments* returned to the Gold Mining Industry. Without either, it was very difficult to reopen mines which had been closed for years and resume a profitable operation.

#### LOSS AND LACK OF DEVELOPED ORE RESERVES

It has been previously stated that during the war years, particularly after L-208, that most gold mines were unable to spend much time or money on developing ore reserves and also the mines found it advantageous to mine out all developed ore reserves as completely as possible after L-208 during the cleanup period allowed. This, then, made it necessary for those mines which were closed by L-208 to start developing ore before production could be resumed upon the reopening of the mines. In the meantime their working capital had been depleted to the point that many gold mine operations soon discovered that they could not compete with post-war industry and finally had to give up and abandon their gold mining operations and seek other fields of operation.

#### INCREASED OPERATING COSTS

It is seen from the foregoing tabulation of various figures related to the Cripple Creek Gold Mining Operations, that all costs have increased from 67% for powder to over 200%, during the past twenty-five years. These figures are for the Cripple Creek District. The increases in costs in other gold mining districts in the United States probably are considerably higher than listed above. However, during this same period the price received for gold from the United States Mint—our sole purchaser—has remained at \$35.00 per ounce less a small Mint charge of approximately 21¢ per ounce or a net payment by the Mint of \$34.79 per fine ounce of gold shipped.

May we ask the question? How many industries in the United States—or any other country—are still in existence that have been receiving the same unit price for their products for the past twenty-five years? The answer is none, ONLY THE GOLD MINES and very, very few of them can exist under the stated conditions.

#### INCREASED HARDSHIPS ON THE CRIPPLE CREEK DISTRICT

The towns of Cripple Creek, Victor, and several other sizeable communities came into existence as a result of the gold discovery in this area in 1892. These communities thrived for many years attaining at one time a total population estimated in excess of 50,000 people. However, recent estimates—November, 1961—give a total population of approximately 1,000 people. The population in 1935 was several times the present. This community has depended almost entirely upon the mining and related activities for its economic livelihood. Many families began moving out of the District at the beginning of World War II and this "exodus" was greatly accelerated by the imposition by the United States Government of the Gold Closing Order L-208 in 1942. The men in families, of draft age, had to get into other lines of work or enlist or be drafted into the armed forces. The continuing decline in the Gold Mining Industry has caused a continuing decrease in the population in the District.

We do not contend that the closing of the mines and mill will cause a complete abandonment of the District by the present residents, but we do believe that a great economic hardship will occur to the county agencies, the school district, and most serious of all, to the individuals. They will be forced by economic circumstance to sell their homes—and may we ask to whom?—and move to other communities to start anew, unless a great improvement in the Gold Mining Industry takes place in the immediate or near future. This improvement can only be brought about by immediate action of the Government in providing an incentive payment for gold which will encourage resumption of the operation of the mines which have ceased working since the beginning of World War II and also encourage Investment Capital to again return to the Gold Mining Industry. This will benefit not only all Gold Mining Communities throughout the United States, but will help restore, *in time* the United States Dollar to its rightful place in the Financial World that it formerly enjoyed.

The 1960 Annual Report to the Stockholders of The Golden Cycle Corporation contained the following paragraph:

"A number of bills will be introduced in this session of the Congress dealing with this problem, and we will endeavor to keep stockholders informed as to their merits. The management believes the gold producer will ultimately receive more for his product, but when and what form it will take we cannot predict. During 1960 the economics of gold mining in which we have a heavy investment in both mining and milling in the Cripple Creek Mining District steadily worsened. If conditions show no substantial improvement in 1961, we will be faced with the decision as to whether or not we should shut down all our gold mining operations until a return to normal conditions. This contingency makes it vitally important for us to conserve the Corporation's assets to handle the uncertainties ahead".

Conditions worsened during 1961 to the point that the management closed down its mining and milling operations on December 31, 1961, and placed the mines and mill in a standby condition. However, this does not solve our problem for to maintain these properties in a "standby condition" will cost the Corporation approximately \$100,000 annually with no revenue whatsoever being derived currently from these properties. We are inserting as Exhibit "C", a copy of the letter mailed to our stockholders on December 2, 1961.

Again, may we repeat, that all other gold mining areas, as well as areas mining other metals along with gold will be similarly affected by the depressed conditions of the Gold Mining Industry as in the Cripple Creek District—assuming, of course, that they are or have been trying to continue their existence.

We have attempted to show the "dire plight" in which the Gold Mining Industry finds itself at this time and have explained in detail the principal contributing factors to this condition, not the least of which is and has been the attitude of certain segments of the United States Government from the date of the abortive Gold Closing Order L-208 up to this present time. We might add here that those Government Officials who perpetrated this Order had to admit that the Order fell far, far short of the intent of same and its accomplishments were nearly nil, so far as the war effort was concerned. We believe that to earn the right to criticize our Government's policies one must make suggestions or recommendations to remedy this wrong which has been thrust upon the Gold Mining Industry.

## RECOMMENDATIONS

Numerous bills have been introduced in the House and Senate designated to help the "seriously sick" Gold Mining Industry. We realize and appreciate the fact that it is at the present impractical to change the World price of gold. However, we believe very definitely that the same results can be achieved—so far as the domestic gold production is concerned—by an incentive payment by the Secretary of the Interior Department, as provided by S.J. Res. 44, rather than by the Treasury Department to avoid any interpretation of this incentive payment being an actual increase in the price of gold. The amount of the incentive payment must be realistic and should be based upon the consideration of "our less than forty cent dollar." This would mean that the minimum incentive payment should be sufficient to bring total payment up to \$87.50 per fine ounce or an incentive payment of \$52.50 to be added to the present Mint price of \$35.00 per fine ounce. However, it is questionable whether or not this would be sufficient to stimulate a great increase in domestic gold production, for as previously stated, many gold producing mines have been closed for such a long period, that the capital expense of rehabilitating the mine may require at least a \$70.00 per fine ounce incentive payment added to the Mint price of \$35.00 per fine ounce, thereby making a total payment of \$105.00 per fine ounce to make resumption worthwhile. We, therefore, make certain recommendations, the chief of which are:

1. Removal of restrictions on ownership, purchase or sale of gold by American Citizens.
2. Cessation of Treasury sales of gold for industrial purposes, such requirements should be met by the market at freely negotiated prices.
3. Payment of an incentive payment for all newly domestically mined gold, by the Secretary of the Interior Department—or such agency as may be designated by Congress—in the amount of \$70.00 per fine ounce of gold.

We submit the above information to your Committee with the hope that it will assist you in your attempt to solve the critical Gold Problem and we solicit your earnest consideration of S.J. Res. 44, as well as certain recommendations suggested above.

## EXHIBIT "A"

Year	Total gross production (millions)	5-year periods (millions)	Total tonnage treated	5-year periods	Average value per ton	Average value per ton per 5-year period	Total Teller County taxes <sup>1</sup>
1937	\$5.586	\$27.325	510,612	2,662,760	\$10.94	\$10.26	\$192,012
1938	5.577		524,177		10.83		187,452
1939	5.593		545,323		10.26		180,526
1940	5.244		550,521		9.53		154,104
1941	5.325	212.227	532,127	21,422,199	10.01	8.60	187,337
1942	3.907		378,434		10.33		186,922
1943	2.235		288,363		7.75		193,352
1944	2.265		221,549		10.23		171,440
1945	1.847		227,063		8.14		174,250
1946	1.973		306,790		6.43		190,887
1947	2.501		420,026		5.95		223,026
1948	2.041		229,074		8.91		227,863
1949	0	\$ 5.796	0	\$ 761,478	18.12	\$ 7.61	245,104
1950	0		0				244,469
1951	1.254	9.579	112,378	686,275	11.16	13.96	271,701
1952	1.979		152,853		12.94		284,942
1953	2.003		177,097		11.31		311,386
1954	1.916		133,933		14.31		322,618
1955	1.842		100,548		18.31		357,638
1956	1.839		121,844		15.09		370,864
1957	1.645		116,408		14.13		409,328
1958	1.525		99,971		15.25		411,023
1959	1.135		70,177		16.17		411,233
1960	1.077		52,659		20.45		412,627
1961	.922	39,881	23.12	419,408			
Total	61.231	16.231	5,911,808	5,911,808	10.36	10.36	

<sup>1</sup> Although the taxes as stated above are the total taxes collected for Teller County, the mines and mill have paid a large percentage of same. It is seen that taxes have more than doubled during the 25 year period;

<sup>2</sup> World War period also includes period during which L-208 (gold closing order) was in effect. Also base metal ores treated 1943-46, inclusive.

<sup>3</sup> The Carlton Mill was constructed 1949-51, during which time no milling facility available, as the Golden Cycle Mill was closed down in 1949.

## STATEMENT OF FAYETTE I. BRISTOL, BRISTOL SILICA Co.—REPORT ON GOLD MINING IN OREGON

My name is Fayette I. Bristol, home address, 5000 Rogue River, Highway, Grants Pass, Oregon.

For the past thirty years I have had in operation at least one successful mine at all times. I operate as a partnership with my wife, Esther P. Bristol. I am a member of the Governing Board, State of Oregon Department of Geology and Mineral Industries; Member of the AIME; Chairman, Western Governors Mining Advisory Council; Served as Representative, Oregon State Legislature.

During the last year the United States has finally eliminated all the domestic backing for our currency. Both gold and silver no longer stand in back of our money.

It is time we start to get ready to someday revalue our money on the sound basis of gold and silver.

Oregon used to be a substantial producer of gold. The following is an outline of the price it would take at the present time to produce gold along with some silver . . .

There are two "Gold Mining Districts"—Grants Pass and Baker. In 1940, Oregon production of gold amounted to \$3,969,070.00. In 1964, less than \$35,000.00.

At the time the 'Executive Order L 208' was issued, several substantial properties were in the process of either starting operation or increasing production substantially. A few years would have more than doubled production.

The largest and best payrolls in the Grants Pass and Baker areas were from gold mining.

To regain the position of 1941 would, of course, require an increase in the price of gold and time.

*Major cost items in underground mining*

	Oregon, 1941	Oregon, 1966
Wages, per day.....	\$5.00	\$30.00
Timber, per thousand (delivered to mine).....	12.00	90.00
Alloy steel, per pound.....	.10	.60
D8 Cat.....	10,000.00	75,000.00
Power.....	(1)	(1)
Fuel oil, per gallon.....	.09	.15

<sup>1</sup> About the same.

Even though equipment has improved, and recovery methods have improved, and new Geochemical and Geophysical methods help in finding new ore bodies, *it will still take a substantial increase in price to produce gold.*

To supply industry the price of copper, lead, zinc, iron ore, quicksilver, and other metals has increased from 400% to 1000% since 1940.

Several ideas have been suggested as to what would be required to open the gold mines in Oregon—

1. Depletion allowance increase would have absolutely no effect in Oregon, as no one mining gold is paying income taxes now.

2. \$70.00 per ounce would create interest and promotion, but I doubt if over three gold mines in Oregon would operate, and they would be very small family mines.

3. \$105.00 per ounce would create a lot of interest, and would put many mines in operation.

Practically all the mines listed would have some work done on them, and if we have no more inflation within the next five years, we would be back where we were in 1941.

NORTHWEST MINING ASSOCIATION,  
Spokane, Wash., April 29, 1966.

HON. ERNEST GRUENING,  
Chairman, Subcommittee on Minerals,  
Materials, and Fuels, Washington, D.C.

DEAR SENATOR GRUENING: The price paid the only American platinum producer in the latter part of the 1930's was \$28. an ounce. Gold producers received \$35. an ounce from their product.

In 1965 the same platinum producer was still in business and received \$130. an ounce for his platinum. Many thousands of small and large gold placer and hard rock operators had been forced out of business. The few still producing received the same \$35. an ounce for their gold after 30 years and a general 300 to 400% increase in the average of all other costs.

Thus the gold industry represents the only basic industry in the United States composed of resourceful and energetic Americans which has been destroyed by arbitrary and highly questionable opinions of a few economic advisors.

On behalf of the many thousands of gold producers waiting "in the wings" for action to restore their industry, the Northwest Mining Association requests that favorable action be taken on present legislative proposals which will result in immediate resumption of production of gold, a result which all concerned admit is a vital necessity to the health of our economic system.

There is no actual shortage of gold. More gold remains in the ground than has ever been mined. Americans need only sufficient incentives to produce it.

Yours very truly,

ESKIL ANDERSON, *Vice President.*

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UTAH MINING ASSOCIATION,  
*Salt Lake City, Utah, April 15, 1966.*

HON. ERNEST GRUENING,  
*Chairman, Subcommittee on Minerals, Metals and Fuels, Senate Interior Committee, Senate Office Building, Washington, D.C.*

DEAR SENATOR GRUENING: The mining industry is keenly aware of the stagnant condition of gold mining in the United States, particularly at this time when increases in domestic production would augment shrinking Treasury reserves and contribute to strengthening of the dollar.

An incentive of some sort is vitally necessary to initiate exploration for new gold deposits and to encourage reevaluation of the economics involved in the mining of known placer and lode gold reserves. An adequate price for gold would stimulate such activity, but there seems little possibility of attaining that practical solution.

We commend your subcommittee's interest in finding ways and means to revive the domestic gold mining industry and recommend S. 2562 to you for your serious consideration.

Very truly yours,

MILES P. ROMNEY, *Manager.*

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ANCHORAGE, ALASKA, *April 16, 1966.*

HON. ERNEST GRUENING,  
*U.S. Senator from Alaska, Senate Office Building, Washington, D.C.*

DEAR SENATOR GRUENING: Enclosed is a statement which I wish to have submitted as testimony before your Sub-committee on Minerals, Materials and Fuels. Your letter of April 5, 1966, indicating that such a statement could be presented to the Subcommittee on May 5 or 6 prompted me to compose the statement.

Your letter is greatly appreciated, Senator Gruening. I have followed your accomplishments for Alaska for many years, primarily through the local newspapers and your excellent newsletter. I am extremely interested in mineral legislation and would dearly appreciate the chance to be of more assistance to you in your efforts. If I may serve you in any way, please call upon me.

Most respectfully,

DAN RENSHAW.

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ANCHORAGE, ALASKA, *April 16, 1966.*

Re statement on proposed legislation to assist the domestic gold mining industry.

HON. ERNEST GRUENING,  
*U.S. Senator from Alaska, Chairman, Interior and Insular Affairs, Subcommittee on Minerals, Materials and Fuels, Senate Office Building, Washington, D.C.*

DEAR SENATOR GRUENING AND SUBCOMMITTEE MEMBERS: My heartiest greetings and best regards I convey to you. I am honored to be allowed a few minutes of your time to comment upon several bills which are currently before your Subcommittee that would stimulate the gold mining industry in the United States.

First I will cover my own personal background as related to gold mining because I feel it to be representative of many young people in our Western States.

My father successfully operated the Gold Cord Mine in the Willow Creek Mining District of Alaska prior to World War II. Federal government moratorium on gold production during the War caused the property to be unproductive for a sufficient period of time that a direct feeling for cost per unit of production was lost. After the War, several heart breaking years were spent in an attempt to regain a profit from production, but inflation would not allow this. The cost of most necessary commodities had more than doubled while the price of gold had remained static. All hope of profit was gone.

Full time mining was then abandoned, but assessment work has been carried on each year in the hope that the property might once again become valuable when the price of gold was adjusted. Much of the underground workings have collapsed and our machinery has rusted. These things are a saddening loss but are replaceable. The much greater loss is the miners that were relied upon to provide the technique and the muscle and the skill necessary to find the illusive gold deposits and mine them. This breed of men is nearly gone, and who is there to replace them? Where in the "Great Society" do you find the robust and down to earth men so vitally necessary to mine our gold? The answer is that these men are not being replaced. As their number diminishes, so equally diminishes the practical knowledge and skill that is not learned from a book or at a university.

Someday, perhaps soon, perhaps many years from now, the policy of our Treasury Department may change and a gold mining revitalization bill may be enacted. Should this event occur within the next very few years, perhaps most of the mines will open again. But if we wait too long, those people who are so necessary to mining will be in such short supply that most of the nation's gold mines will remain unproductive, awaiting the schooling of the unskilled. This will be expensive and in itself a reason to further discourage gold mining.

I see the problem clearly in the Willow Creek area. Those men who once brought wealth from these mountains are old, or have moved away, or have passed away. Should the nation feel the need for increased gold production and provide the necessary stimulus I would attempt to reopen the Gold Cord Mine, but the odds are greatly against me. A substantial level of production will not follow immediately but will take many months, maybe years to attain.

My theme may be summarized as a plea to help the gold mining industry now so that we might serve the nation immediately when the impending financial crisis of zero gold reserves is upon us. We must be allowed to train a new generation of miners and prospectors so that this human resource will be available to our nation in its hour of need.

Many people are automatically against subsidies since it is usually said that subsidies only solve symptoms of problems, not the problems themselves. But the gold situation has spawned several new problems over the years, the most major of which is the depletion of our trained human resource. As outlined above, a gold mining stimulus, even a subsidy would do a great deal to solve the trained human resource problem.

S. 1377 would be one of these rare problem solving subsidy programs. This bill would definitely stimulate gold mining and once again, allow an increasing flow of domestic gold into our reserves. To the best of my knowledge this is the best bill before your Subcommittee in that it would do the most good for the industry. Most respectfully I urge that this bill be favorably reported soon and assigned the highest priority attainable to assure early Senate action.

Yours truly,

DAN RENSHAW.

OREGON-DETROIT MINING CO., INC.,  
Seattle, Wash., April 16, 1966.

Senator ERNEST GRUENING,  
Chairman Subcommittee Minerals,  
New Senate Office Building, Washington, D.C.

DEAR SENATOR GRUENING: It has come to my attention that your Committee has scheduled hearings on Gold Subsidy bills for May 4th, (in the Senate) and May 5th and 6th (in the House).

These Gold Subsidy Bills to which I have reference, S. 2562 in the Senate, and H.R. 10925, H.R. 10924, H.R. 11081, and H.R. 11667, being companion measures in the House, and providing for a Subsidy rate for currently operating Gold Mines.

And that both Senate and House bills are alike in that for Dormant Mines, or newly discovered Gold properties, the effective subsidy rate will be the

equivalent of \$44. per ounce, which, coupled with the Treasury's \$35. monetary price, would make a relief price of the equivalent of \$79. per ounce, which would make it possible to re-open our property.

We have been struggling now for the past 20 years, just living in hopes and bankruptcy, since the Government closed our Mines in 1942, and unable to get back into production after 1946, since the cost of Unionized wage scales have increased so high, that it is utterly impossible to operate at the present price of \$35.

We feel that something is absolutely and immediately necessary toward the re-opening our Dormant Mines. We know that our Government Gold stock has been going down constantly for the past 20 Years and that it is now reaching a serious condition, as we have only one half the amount of Gold on hand now as we had then. Our money system is now on the ragged edge, We have no more Gold coins and very soon will have no more Silver coins, nothing but worthless paper. Our Mining Company owners and Stockholders are on the verge of giving up. All of our investments in development work and equipment is now lost.

Canada has been paying their Gold Mining companies a Subsidy, or Bonus for Years, and it has been working out fine for the industry, it also finances their Prospectors for going out and locating new discoveries, it pays them a substantial sum also for finding new ore bodies. We all know that Gold and Silver are the only money of intrinsic value, and that all newly mined Gold finds its way into the Government Mint.

We wish to commend you in your efforts toward obtaining Congressional assistance toward obtaining some sort of plan for keeping our people solvent and Thanking You sincerely. Very Truly Yours

CARL J. RITTER, *Manager.*

NEVADA PORPHYRY GOLD MINES, INC.,  
*Reno, Nevada, April 21, 1966.*

Re S. 2562, the Gold Mines Assistance Act of 1965 and companion measures H.R. 10925, H.R. 10924, H.R. 11081 and H.R. 11667.

HON. ERNEST GRUENING,  
*Chairman, U.S. Senate Subcommittee on Minerals, Materials, and Fuels, New Senate Office Building, Washington, D.C.*

DEAR SENATOR GRUENING: Although the mining property of Nevada Porphyry Gold Mines, Inc. in Round Mountain, Nevada has a far better than average gold potential for mines of its type it has been relegated, by economic conditions with respect to gold to the status of a minor lessee-lessor operation as a final stage for survival. It is quite evident that the present effort will be of a terminal nature if some relief does not come in the near future that would usher in a more substantial operation.

The gold occurrence is in a large low grade lode deposit, of which over 60% has been thoroughly examined and sampled and an eluvial placer deposit, overlying a portion of the lode deposit, which has been thoroughly drilled out to feasible operating depths and sufficient drilling in the deeper areas to indicate an important potential which would be of great interest, under a more favorable price structure. The drilled out portion of the eluvial placer at feasible operating depths indicates a potential of \$50,000,000.00 in gold at a price of \$35.00 per fine ounce, and the sampled portion of the lode deposit, a potential of \$26,000,000.00, plus an estimated content in that portion of the lode which underlies the placer, of \$24,000,000.00. To this can be safely added a potential of \$10,000,000.00 in placer residue dumps from which the gold in the placer materials was not recovered and reject piles from former lode operations. These four items add up to a reasonably assured potential of \$110,000,000.00. There is, of course, a projected possible potential which is applicable to most mining projects, that is not considered here, which would be considerably enhanced by a reasonable price structure. All of this is minable by open pit methods.

At the present fixed price for gold and the high costs of production the placer potential would have to be cut approximately 50% by this cost-price squeeze, relegating the marginal areas to an unworkable category and leaving, therefore, a workable potential of \$25,000,000.00 at this time. Under ordinary circumstances this would appear to be a satisfactory proposition to work on if it were not for the stripping costs and the plant and equipment costs which would leave a first cost to production ratio of about 1:5. Many people under existing economic conditions do not consider this a safe ratio. Our Company does not

possess the necessary funds or the ability to raise them to equip the property at a capacity which would insure an ultimate profit, although every effort is being expended to find a concern which will undertake the task.

It is our determination that Bill S 2562 would bring the gold price to the producer of \$79.00 per fine ounce and other bills would provide benefits to further enhance this return, somewhat, by indirect assistance. We also know that there are vast gold producing areas which would require a higher price than \$79.00 to place them in a profit zone—a price of \$105.00 has been suggested as “the ultimate within reason”. The tables at the end of this letter will indicate this situation in our property—to simplify this discussion I will give the effect of the three prices, \$35.00, \$79.00 and \$105.00, on our operation.

From the above it is seen what the present price of \$35.00 can, possibly, do for us by eliminating 50% of the placer potential and, I might add, practically all of the lode except for the type of operation presently carried on in the selective mining of high grade stringers. Sixty percent of the placed “pay dirt” zone, the upper portion, would have to be stripped to a second class dump for subsequent treatment whereas, at a price of \$79.00 per fine ounce, approximately 50% of this upper portion of the “pay dirt” zone could be combined with the higher grade bottom portion for mining and transporting to a stationary plant for washing, screening the oversize to waste, grinding the oversize in the screenings to liberate the contained gold therein, ahead of the final jigging and recovery of the gold in the hutch products by amalgamation. It is thus seen that the higher gold price would not only result in a more complete recovery, in the first instance, from the placer potential but would also result in a more economical mining procedure. Approximately 40% of the lode deposit potential could be mined at this \$79.00 price, by selective mining.

At a price of \$105.00 per fine ounce, in addition extending the placer by 30% and a complete mining of the lode deposit and the immediate mining and treatment of the entire placer “pay dirt” zone, without having to handle a part of it twice, there would be permitted a tremendous addition to the metallurgical program which would add approximately 20% to the overall recovery from each category.

I might add in closing that the property has available to it, electric power with a great deal of primary equipment, such as power lines and transformers, Company owned. Also a gravity water supply for a part of the year and a well completely equipped with motor driven pumps capable of delivering 2500 GPM to the plant so that with moderate water conservation a plant capacity of 10,000 cu. yds. per 24 hrs. can easily be attained.

To avoid a repetition of what has happened in the past to the gold mining industry, where rising costs have driven the producer out of business, gold bills should carry a provision for changes in price indices.

The production from the property, placer and lode—to date is approximately \$30,000,000.00. This includes all of the properties in the Round Mountain District now owned by our Company.

To avoid confusion of dollar production in the three categories under observation the actual content in fine ounces is given in the following summary.

*Possible recovery in fine ounces of gold in the 3 price categories*

Potential source	Price categories		
	\$35	\$79	\$105
Placer .....	\$714, 286	\$1, 428, 571	\$1, 428, 571
Lode deposit .....	(1)	571, 429	1, 428, 571
Residue dumps .....	142, 857	285, 714	285, 714
Additional placer potential .....	(1)	(1)	428, 571
Augmented metallurgical program:			
Placer .....	(1)	(1)	371, 428
Lode .....	(1)	(1)	285, 714
Residue dumps .....	(1)	(1)	57, 143
<b>Total .....</b>	<b>857, 143</b>	<b>2, 285, 714</b>	<b>4, 285, 712</b>

RECOVERY IN DOLLARS IN THE 3 PRICE CATEGORIES

857,143 ounces at \$35 .....	\$30, 000, 000
2,285,714 ounces at \$79 .....	180, 571, 406
4,285,712 ounces at \$105 .....	449, 999, 760

<sup>1</sup> None.

This situation is equally applicable to most mines. It also illustrates the beneficial effect a proper price would have on conservation.

Respectfully yours,

ALBERT SILVER,  
*Vice President and Manager.*

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WYOMING MINING ASSOCIATION,  
*Riverton, Wyo., April 18, 1966.*

HON. ERNEST GRUENING,  
*Chairman, Minerals and Fuels Subcommittee,*  
*U.S. Senate,*  
*Washington, D.C.*

DEAR SENATOR: May we urge favorable action on S. 2562 (Gold Subsidy Bill), or similar legislation. We believe that such legislation is essential to promote and encourage increased gold production in this Country.

Those engaged in the mining industry, particularly, are cognizant of the economic situation in our gold mines. Constantly increasing costs of production has forced most gold mines to discontinue operations. Those remaining are jeopardized by rising costs. Some method must be found to encourage production. A subsidy such as proposed in S. 2562 appears to be a satisfactory solution.

The stimulus of an opportunity to mine profitably can be a most effective incentive to explore for, and to mine, a mineral. This was demonstrated in the development of the Wyoming uranium industry. When a market for uranium was assured with an attractive price, many engaged in exploration for uranium. Subsequent discoveries led to a substantial uranium industry. If there is to be a gold mining industry, there must be a financial incentive to encourage exploration and mining.

The need for building the U.S. Government's gold reserves is a problem of utmost importance. This, we consider, is ample justification for positive action to encourage gold production.

We urge that your Subcommittee reports favorably on S. 2562, and works for the ultimate passage of this or similar legislation.

Respectfully yours,

R. W. BEAMER, *Executive Secretary.*

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KNOB HILL MINES, INC.,  
*Republic, Wash., April 25, 1966.*

HON. ERNEST GRUENING,  
*Chairman, Subcommittee on Minerals, Materials, and Fuels, Senate Interior and Insular Affairs Committee, New Senate Office Building, Washington, D.C.*

DEAR SENATOR GRUENING: It has just been called to our attention that you will be Chairman of the Sub-Committee Hearing on gold May 4th. The sympathetic position which you have taken, with respect to the "plight of the gold miner," is well recognized throughout the industry, and we feel that the forthcoming hearings finally represent a step in the right direction.

We regret that it will not be possible to be present at either of the hearings. However, the interests of our own Company will be ably represented by Mr. Henry L. Day, a close neighbor. Meanwhile, it has occurred to us that you may be interested to receive further verification of the economic situation which faces all who produce gold as anything but a by-product. This situation is, of course, well known to you from your own close contacts with the industry.

To offer, briefly, a picture of this Company's operational background, I will state that we have been in continuous production for 29 years, at this site, having commenced actual operations May 10, 1937. Until 1941, all ore was derived from an open pit; in that year, however, modest underground operations were commenced in conjunction with the pit. By the spring of 1942, World War II inflation had set-in to the extent that pit operations were abandoned forever, and all efforts were directed to successfully operating a purely underground venture. That this underground mine has operated successfully, despite wars and mounting inflation, is a matter of record. The explanation is, of course, something else.

Persons in other lines of business often express great surprise to learn that a gold mine can continue to operate in this day and age, and thereupon are apt to remark that the ore must be very rich to make this possible. For your information, Senator Gruening, we are able to operate profitably only by virtue of mining the highest grade ore possible, and thereby leave increasingly greater tonnages, of what might have been ore under other circumstances, behind. Due to the nature of the ground conditions, anything which has been by-passed in the course of orderly mining will never be recovered.

We have stated in the foregoing that underground operations, on a 100 percent basis, commenced in the spring of 1942. With that in mind, and rather to speak purely in generalities, we have opened our files to produce some comparative cost figures from that date.

The enclosed exhibits consist of documentary evidence that certain supply items, as well as the cost of mining labor, are now 400 percent of 1942 figures. This is after inflation had already commenced hurting.

For your possible interest, we have selected at random a price list issued by Ingersoll-Rand Company on April 1, 1942, and the payroll record of an employee who was working as a miner at the same time.

By comparison, please note the recent invoices from a supplier of rock drill parts, and a tabulation of wages paid in the period which embraces April 1, 1966.

The present day cost of parts for the popular I-R Stoper, R-58 (of which we own 20) range from a low of 381%, compared to 1942, to a high of 530%; the average being precisely 400% of 1942 costs.

A comparison of miner's wages for the same two periods reveals an hourly rate of 76.5¢ in April, 1942, as opposed to a mine-wide average of \$3.03 per straight-time hour in April, 1966. Again, almost precisely 400% of 1942 labor rates. In 1942, fringe benefits other than Workman's Compensation were non-existent, but in 1966 the cost to this Company for wholly prepaid fringe benefits totals \$1.15 per hour. Thus the cost of labor for the particular period used in illustration totals \$4.18 per straight-time hour.

Any number of other instances could be used, rough-cut lumber was \$12.00 per 1000 B. F. in 1942, but is now \$64.10; a figure which is 525% of 1942's base, however, we do not wish to belabor a condition to which you are most certainly no stranger. Hopefully, these few facts may serve to help round-out the picture which will be in the making at your hearing.

Very truly yours,

A. R. PATTERSON,  
*Vice President and General Manager.*

(The exhibits referred to are in the files of the committee.)

Mr. FRENCH. Senator Gruening has instructed me to state that the record of this hearing will be held upon for 10 days so anyone who wishes to submit an additional statement, may do so.

Mr. Moss. Mr. Chairman, I have a suggestion after hearing all these testimonials. I suggest introducing a gold bill to stop selling Treasury gold to artisans and jewelers, a nonessential industry. That will get our subsidy for gold faster than anything I can see.

I would like to submit this.

Mr. FRENCH. Thank you.

I might point out that legislation to do just that has been before the committee in previous years, and of course, has always met with a very negative attitude, also. The gold processing industry has not been happy about it.

I wish to announce that the transcript of this hearing will be available tomorrow morning. Anyone who testified who wishes to correct or edit his testimony is quite free to do so if you will come to the committee rooms.

The hearing is adjourned.

(Whereupon, at 1:50 p.m., the hearing was adjourned.)

## APPENDIX

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(Under authority previously granted, the following communications were ordered printed:)

THE GOLDEN CHAIN COUNCIL OF THE MOTHER LODE, INC.,  
*Grass Valley, Calif., April 30, 1966.*

Senator ERNEST GRUENING,  
*Chairman, Hearing on Materials, Minerals and Fuels, (May 4),  
Senate Office Building, Washington, D.C.*

DEAR SENATOR GRUENING: This will confirm our Western Union telegram of even date, covering the Resolution in support of your committee's hearing May 4th, 1966, which we understand, will endeavor to bring aid to gold mining through a higher price for gold, whether by increase in price or an incentive.

The enclosed folder shows the scope of Golden Chain Council's activity with historical information of the nine Counties it represents. With the closing of the Gold mines throughout the area the economy suffered a severe blow which has not been overcome through aid or assistance of any kind that would restore the employment of the mines or continue the production of Gold.

We trust the efforts of your committee will find a solution that can be put into legislation before Congress adjourns.

Respectfully submitted.

DAVID MALTMAN,  
*Chairman of Nevada County.*

L-D MINES,  
*Wenatchee, Wash., April 26, 1966.*

HON. ERNEST GRUENING,  
*Chairman Subcommittee on Minerals, Materials, and Fuels, Senate Interior and  
Insular Affairs Committee, New Senate Office Building, Washington, D.C.*

DEAR SENATOR GRUENING: I am writing this letter to you in the hope that it may be helpful to you in your present activities in relation to gold.

Since I left Princeton Graduate School, Department of Geology, in 1933, except for a period during World War II, I have been primarily concerned with gold. My activities have covered the whole field—looking for gold mines, developing them and operating them.

For the last seventeen years I have been principally concerned with operating a gold mine. This is one that I found and brought into production with my own funds and those of a few close friends. It is quite a good gold mine by U.S. standards since it has ranked among the twenty-five largest producers of gold since 1950, generally ranking about tenth as a producer of gold from all sources—lode, placer and by-product.

It is in a new camp in the sense that there was no economic production prior to our coming here. There were some previous efforts at production, but, somehow, these didn't get off to a good start. From what we know of the camp now we have every reason to think that the production of gold here has only started; that is, if we are to consider that we can continue to mine the type of ore body we have mined to date.

The profit here has never been great by most standards. We started in 1949 much too late to capture the early advantage of \$35.00 gold. However, it has been a healthy operation in that we could make a profit either by running a high-cost, high-grade operation or a low-cost, low-grade operation. This could be done even if we were a little careless of our costs. However, this is no longer the case. We stay in business by practicing every economy possible; there is no margin for error. There is no longer any fun to it. We hold on a little longer mainly because we think something should and will be done for gold very soon.

If this is not going to be the case, we, for one, should not and probably could not continue to operate because we are trading dollars now. It is better to close with some ore reserves in order to facilitate reopening under more favorable economic conditions.

It is significant to note that among the top twenty-five producer of gold (covering 94% of all the gold produced in the United States) five are lode gold mines, five are placer mines and the balance are mostly open-pit copper mines. Regardless of how Congress feels about gold at the moment, surely it isn't its intent to destroy the industry completely. Conditions and opinions have a habit of changing. It is usually desirable to maintain a nucleus from which to expand.

I wish you every success in your present efforts. The industry needs help and time is running out very fast.

Sincerely yours,

E. H. LOVITT, *Manager.*

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ORIGINAL SIXTEEN TO ONE MINE, INC.,  
*San Francisco, April 30, 1966.*

HON. ERNEST GRUENING,  
*Chairman, Senate Subcommittee on Minerals, Materials and Fuels, U.S. Senate,  
Washington, D.C.*

DEAR SENATOR GRUENING: The plight of the gold mining industry in the West is one of poverty and neglect. This is due to a long period of completely unrealistic and unsympathetic approach to the gold price problem by the government.

This Company, which has operated continuously since 1912 was forced to close on December 9, 1965. For all of these years it was the principal payroll in the town of Alleghany, Sierra County, California. For many years it employed more than one hundred men and most of the value of the gold produced was returned to the economies of Sierra and Nevada Counties in payment of labor, supplies, taxes, power, etc.

If the price of gold were supported in a sound form of subsidy payment, these mines would once again become profitable producers, contributing to the economies of the area in the form of payrolls, taxes and a vigorous, hand-working populace.

We urge the members of Congress to support this Bill for a sound subsidy program for newly mined gold.

Respectfully yours,

WALTER A. STINSON, *President.*

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SIERRA COUNTY,  
*Downieville, Calif., May 2, 1966.*

Senator ERNEST GRUENING,  
*Chairman of Subcommittee on Mines and Mining, Senate Office Building, Wash-  
ington, D.C.*

DEAR SENATOR GRUENING: Sierra County, California, with a record of over one hundred years of being one of the major domestic gold producing areas in this nation, is vitally interested in the hearing on legislation to provide incentive payments as a means for revising the domestic gold production in this country.

At its regular meeting today the Board of Supervisors of Sierra County authorized me to place special emphasis on the economic necessity for such legislation, in order that such areas as ours may survive.

The Board has special reference to the town of Alleghany in this county, which has subsisted entirely on domestic gold production since the 1850's. Even as recent as ten years ago there were over one hundred men employed in this industry in the Alleghany area. Today there are less than ten, and one of the most active and best producing mines has just been forced to cease operations.

Twenty-five years ago there were nearly three hundred men employed in the gold mines of Sierra County.

For such communities as Alleghany, which has nothing else on which to economically exist, we wish to stress that there is a real community need for the type of legislation your committee will study, in addition to the basic need for domestic gold production in our county.

We therefore urge that the economy of areas such as Sierra County be carefully considered as being a major reason for this much needed legislation.

We know that you are personally using your best efforts along these lines, and we want you to know that these efforts are very much appreciated by all of us in Sierra County.

Yours very truly,

GORDON I. SMITH,  
*District Attorney and County Counsel.*

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FRANKLIN ENTERPRISES LTD. (N.P.L.),  
*Dawson, Y.T., April 30, 1966.*

Hon. Senator ERNEST GRUENING,  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR GRUENING: Since it will be impossible to attend the up-coming hearings on the various Gold Bills before your Sub-Committee I should like to have this letter place me on the record as favoring some relief for the Gold Mining Industry. Immediate relief is needed if the Industry is to stay alive.

For the record. I have been in the gold mining industry since graduating from the University of Alaska in 1937—less the war years. My affiliation has been with Yukon Placer Mining Co.; Ballarat Mines Ltd.; and now my own company as above.

During the past five years in particular, our companies have been selling "newly mined free gold" on the open market and the amounts sold have been surprising in that a goodly portion of it has been gold that is not Jewelers gold but gold, in my opinion, that is being hoarded against either inflation or a possible raise in the price.

In either event, the gold is in existence and if some sort of a subsidy gold bill is passed this gold would return to the light of day and it would make quite an impact and addition to the Treasury supply of Gold. I am naturally assuming that any Subsidy bill will preclude gains being made on this type of gold and when that was realized by the hoarders, I am sure that the gold would then be placed in circulation and thus find its way to the Treasury.

As an educated guess, I would say that something over Two Billion Dollars worth of gold would come out of hiding if a Gold Subsidy Bill was enacted.

Those of us who have been able to stay in the Gold Mining business have had to use all the ingenuity and imagination we could muster to cut costs and perfect our skills. Some, like myself, have had to move into Canada because costs in the U.S. and Alaska became too prohibitive to mine the ground that still sits with its gold reserves.

The Gold Mining Industry will be dead within two years if some sort of relief is not given it.

Your continued efforts in our behalf are appreciated.

Sincerely,

GLEN D. FRANKLIN.

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COMANCHE MILLING CORP.,  
*Ohio City, Colo., April 25, 1966.*

Senator ERNEST GRUENING,  
*Chairman, Subcommittee on Minerals, Materials and Fuels, New Senate Office Building, Washington, D.C.*

DEAR SIR: We have 500,000 tons of  $\frac{1}{2}$  to 2 oz. gold ore blocked out or exposed on 142 patented mining claims, plus 8 placer claims with commercial placer ground.

We also have a 150 ton mill ready to go. Without some help even tho our ore is good, it is to marginal to operate at the present price of gold.

I operated here 30 years ago and we got the same price for gold then as now. We could hire a good miner for \$5 per day and now we can't hire a poor one for \$25 per day.

We could work between 80 and 100 men if gold was \$100 per oz., and could produce over 150 oz. per day of gold and some 200 oz. of silver.

Our mines have been shut down since 1942 with the exception of possibly 1 year.

The following bills if enacted would put us in operation, S-2562—HR 11667—HR 11081—HR 10925—HR 10924.

We request this letter be incorporated as a part of the record in the gold hearings.

Sincerely,

GLENN BERRY, *President.*

## AN OPEN LETTER

WESTERN STATES MINING & BUSINESSMEN'S ASSOCIATION,  
*Omaha, Nebr., December 25, 1965.*

HON. LYNDON B. JOHNSON,  
*The White House,*  
*Washington, D.C.*

MR. PRESIDENT: We were pleased to note that in the 89th Congress session you sent a recommendation for the adoption of the war on poverty bill which was adopted by Congress.

Many persons do not know that we have numerous poverty areas in our western mining States, that most of the western gold and silver mining communities are ghost towns for reason that the mine owners cannot produce gold and silver at a profit at the present set market price; labor costs, taxes, supplies, etc., have so far outdistanced these prices that it is impossible to produce gold at a profit for \$35 an ounce and silver for \$1.29 per ounce, and must be increased to \$70 for gold and \$3 per ounce for silver, to provide more liquid money for developing western mining areas.

The seven big antipoverty plans do not provide a program for the opening of these closed mines or development of new mines in the western mining States, including Alaska; in these Western States the Federal Government owns two-thirds of the total land area with an estimated mineral wealth of \$1,500 billion, which if properly developed would pay off the national debt, and would reemploy 2 million of the unemployed in these areas, and another 2 million in allied industries.

Perhaps you do not realize that within the past 50 years, since the Federal Reserve Bank System, a privately owned banking corporation ever since 1913 when the Federal Reserve Act was passed, has controlled the money and credit market of this Nation and has become more and more concentrated into fewer hands. The 12 men who actually run the United States are the 12 presidents of the 12 Federal Reserve districts plus the 7 men appointed for 14-year periods to the Federal Reserve Board by the President of the United States, and when Mr. Balderston retires January 31, 1966, there will be a vacancy for Presidential appointment, and the time has arrived for appointment of a western man to this Board to represent western mining interests.

Mr. President, the issue of bank credit and setting of bank interest rates has become a giant monopoly, which controls the economic resources of this Nation. It is surely quite obvious that the Federal Reserve Bank System, based on debt, will ultimately ruin this Nation, and every person in the Nation, except the credit lenders. Then for whom are the people of this Republic working? The logical answer is: For the Federal Reserve bank, a system of debt which can never be paid by any generation of Americans; this means we are enslaved to a private banking system, which can only be remedied by the U.S. Government purchasing the capital stock from its stockholders.

The original capital stock of the Federal Reserve Board was \$147 million, owned by the class A stockholders. The class A and class B stock can be purchased for \$340 million. This provision was put into the original bill by William Jennings Bryan so Congress could purchase and operate the system, if desirable, under the U.S. Treasury. The Voorhis bill, H.R. 8209 should be reintroduced and all this could be accomplished with your assistance and approval.

The Federal Reserve Board has managed to stop development of the gold and silver mines in the United States, through controlled prices for gold and silver, and stopped the coinage of these monetary metals until we do not have a gold coin in existence, the silver half dollar is reduced to 40 percent silver, and the dime and quarter contains no silver; no silver dollars will be coined within the next 5 years, all this by an act of Congress, the 89th.

In 1934 President Franklin D. Roosevelt, by Presidential proclamation, increased the price of gold from \$20.67 to \$35 per ounce, and when he did this he disregarded the demand of international bankers that gold be kept at the old price of \$20.67 per ounce. At about that time President Franklin D. Roosevelt made the following statements:

"Sixty families in America control the wealth of the Nation;

"One-third of the Nation's population is ill-housed, ill-fed, and ill-clad;

"Twenty percent of the men working on WPA projects are in such an advanced state of malnutrition that they cannot do a day's work;

"I intend to drive the money changers out of the temple."

In the year 1934 the United States had approximately 10 million unemployed, hungry workers. The National Research Committee, engaged by Congress to make a national survey at the time states: "Purchasing power must be gotten back into the hands of the people if this Republic is to survive and our entire economic future is at stake. Opening and developing the gold, silver, and other mining resources of the Western States (an undeveloped empire) and America's greatest asset is imperative. Therefore, the price of gold should be raised to \$70 and silver to \$3 per ounce by Presidential proclamation. This would not be a subsidy to gold and silver mining interests and would not cost the U.S. taxpayer 1 cent. If the gold and silver were not coined, Abraham Lincoln U.S. notes, legal tender at its face value for all debts public and private, could be issued.

In 1953 our gold reserve in Fort Knox was \$23.3 billion, in 1965 it has dropped and the U.S. Treasury gold stock is only \$14.39 billion and of this stock only one-fourth, or \$3.87 billion, backs our paper currency. International bankers claim the remaining \$10.05 billion of gold dollars. We must mine more domestic gold and silver now. Our total indebtedness, national and personal approximates \$1,500 billion. It breaks down something like this:

1. Federal, \$320 billion.
2. With \$12 billion annually for interest, paid by taxpayers. (This sum paid to keep a bank credit system medium of exchange in circulation, in violation, of art. I, sec. 8, par. 5 of the U.S. Constitution, which says: "Congress shall have the power to coin money, and regulate the value thereof and of foreign coin.")
3. State and local, approaching \$100 billion.
4. Corporate, moving toward \$500 billion.
5. Individual, more than \$400 billion.
6. The Federal Reserve Bank System, a privately owned banking organization, controlled by international bankers and since 1912 licensed by the Government to do the Nation's banking and this privately owned banking system has never paid any Federal income tax to the U.S. Government on its enormous profits for this privilege. (It is time Congress, and the President exercise their sovereign rights under the U.S. Constitution; take over under the U.S. Constitution the Federal Reserve Banking System, and operate it under the U.S. Treasury—under United Postal Savings Banks, and pay our national debt and restore our freedom and prosperity again.)

President Andrew Jackson said: "If Congress has the right to issue paper money, it was given to them to be used by themselves, not to be delegated to individuals or corporations." The U.S. Supreme Court ruled in 1934 (293 U.S. 338)—"The Congress manifestly is not permitted to abdicate or transfer to others, the essential legislative functions with which it is invested." Congressman Wright Patman, of Texas, and chairman of the Committee on Banking and Finance, said: "Why in the world doesn't the Government issue its own credit instead of (1) Creating debt bonds, (2) giving the bonds to the banks, and (3) paying the banks interest on the Government's own credit." (Editor.—Such Government credit being a medium of exchange of the people of the United States.)

Our huge national debt is the cause of most of our inflation, which has decreased the purchasing value of the dollar to 37 cents. We need increased output of gold and silver to help off this debt and provide more jobs for our unemployed and open up our vast mineral resources.

With our Government facing bankruptcy under financial control of the Federal Reserve System, here is the real danger to our country. By 1968 Communist nations will control the United Nations and Communist China will be a member of the U.N. We will fall into the United Nations-sponsored economic system, financed by international bankers which is the Communist system to rule the world. If you will recall, Baron Rothschild said: "I care not who rules a nation if I can but control that nation's money system."

The prearranged plan to "expand" the United Nations into a one world government was thwarted because of Russia's refusal to agree to relinquish their sovereignty and issuance and control of their money. (Russia in 1964 produced \$175 million in gold, the United States, \$32 million.)

This association, the Western States Mining & Business Men's Association, met at Deadwood, S. Dak., June 2, 1965, at the Franklin Hotel, and adopted the following resolution:

"RESOLUTION OF THE WESTERN STATES MINING & BUSINESS MEN'S ASSOCIATION CONFERENCE AT DEADWOOD, S. DAK., JUNE 2, 1965, HELD AT THE FRANKLIN HOTEL

"Whereas our entire economic future is at stake in opening and developing the gold and silver mining and other mining resources of the 15 Western States—an undeveloped empire—America's greatest asset; namely, Arizona, Alaska, California, Colorado, Hawaii, Idaho, Montana, Nebraska\*, New Mexico, Oregon, South Dakota, Utah, Washington, and Wyoming (\*Nebraska, largest gold and silver smelter in the United States); and

"Whereas in these Western States the big landowner is the Federal Government, owning nearly two-thirds of the total land area therein, and these States are the main sources and produce practically all the gold and silver as well as the strategic minerals which have an estimated mineral value of \$1,500 billion in value which is lying there undeveloped and unused, no taxes being received by the Government excepting small sums to the local subdivisions of government, and all of this because the administration and the Congress of the United States have for more than 50 years put a ban on the mining of gold and silver and are operating the Government on a deficit spending basis, borrowing credit from the Federal Reserve Bank System, a privately owned banking organization, controlled by the international bankers, and since 1912 licensed by the Government to do the Nation's banking business, and this privately owned banking system pays no income tax on their enormous profits for the use of this privilege; and

"Whereas in 1934 President Franklin D. Roosevelt increased the monetary value of gold from \$20.67 to \$35 per ounce by Presidential proclamation; and today the price for labor, taxes, supplies of all kinds have risen to a point where gold and silver cannot be mined at a profit; the gold and silver mining industry is dead in these western mining States and has been for 30 years; and

"Whereas our indebtedness tops a trillion dollars—do you know that the U.S. Treasury gold stock is only \$14.39 billion—only one-fourth of which, or \$3.87 billion backs our paper currency. Foreign nations claim the remaining \$10.05 billion in gold, which makes it mandatory that we mine more domestic gold and silver—and now.

"It breaks down something like this:

"1. Federal, \$320 billion.

"2. With \$12 billion annual interest paid by taxpayers.

"3. State and local, approaching \$100 billion.

"4. Corporate, moving toward \$500 billion.

"5. Individual, more than \$400 billion.

"This huge national debt is the cause of most of our inflation, which decreased purchasing value of the dollar. We need increased output of gold and silver to help pay off this debt and provide more jobs for our unemployed and open up our vast mineral resources; and

"Whereas the only solution to our problem is an increase in the monetary price of gold to \$70 per ounce and silver to \$3 per ounce, and our country's gold reserves have been depleted by foreign raids, the only way to remedy this condition is to mine more gold and silver, and this cannot be done unless President Lyndon B. Johnson issues a proclamation to raise the value of the gold and silver dollar. Higher prices of these metals will serve as an incentive in these stagnant mining areas, make work available for 2 million unemployed persons in mining and related industries, and local business will be brought to life: Therefore be it

"Resolved:

"1. We propose to revitalize the American gold and silver mining industry of the United States and to compensate the domestic producers of gold and silver, for the difference between the present monetary valuation of gold and silver, created by President Franklin D. Roosevelt's Presidential proclamation in 1934, since these minerals cannot be produced at a profit today.

"2. Statement of purpose: To aid and restore to profitable operation the domestic gold and silver mining industry of the United States, more especially in the 15 western mining States, including Alaska and Hawaii; to coin \$2 billion in silver, to be paid into circulation for public improvements and employ 2 million jobless men, by Presidential proclamation of President Lyndon B. Johnson.

"3. In order to compensate the new domestic gold and silver mining and allied industries for expenditures, amortization of such expenditures until all costs are recovered, for income tax purposes for the said industries.

"4. Place an embargo on all shipments of gold from the United States to all foreign nations now in arrears on their debt payments to the United States, in

order to protect the Gold Act of 1934, which is adversely affected by the depreciation of the value of foreign currency in relation to the monetary value of gold, that an economy emergency exists, and we deem it necessary that President Lyndon B. Johnson, by Presidential proclamation, fix the monetary value of the gold dollar at \$70 per ounce and silver at \$3 per ounce in the United States of America for all newly mined domestic gold and silver in the United States; this would reemploy 2 million of the 6 million unemployed in the United States and increase the purchasing power of the dollar to compensate for the depreciated value of the dollar.

"5. We endorse the making, and an appropriation by Congress, of an official survey of the mineral resources of the Black Hills of South Dakota for the purpose of ascertaining whether the amount of ore available there will warrant the construction of a smelting and refining plant or mills necessary for the area. If adequate ore resources are determined, such renewal of the mining industry will reemploy thousands of the unemployed in the Black Hills area of South Dakota.

"6. Debased coins: Whereas the administration's proposal to adulterate, cheapen the intrinsic value of dimes, quarters, and half-dollars should be publicly condemned by every American who believes in sound national gold and silver coined money as the Constitution provides under article I, section 8, paragraph 5: 'Congress shall have the power to coin money, regulate the value thereof and of foreign coins.' It is an axiom that bad money drives out good money and reduces the purchasing power of the dollar which is now reduced to 37 cents by increased debt inflation, caused by acts of Congress in continually raising the national debt limit. The sovereign right of Congress to coin money should be exercised, then there would be no national and almost no private debt burden—and no interest charge permanently crippling the public purchasing power and destroying this Republic.

"7. Silver dollars: Whereas President John F. Kennedy's last official act was a request of the Congress to adopt an appropriations measure which would resume the minting of silver dollars; and

"Whereas this request was followed by the 1965 appropriations bill of the Johnson administration, which included another and larger minting of silver dollars and subsidiary silver coins.

"Whereas the silver dollar is an important economic asset of some Western States and an equally important part of the heritage which all Western States share; and

"Whereas the coinage of silver dollars would be multibeneficial in that it would provide needed coin for commercial and trade circulation, provide such coin at lower cost than the greater cost of recurrent printing and reissue of paper money of similar face value, and provide a useful store of value of the metal even while it was being used for money; and

"Whereas many of the Western States are silver producers whose mining industries would benefit from increased use of silver: Now, therefore, be it

*Resolved*, That this Western States Mining & Business Men's Association urge Congress to provide funds for the minting of 2 billion silver dollars and subsidiary 10-, 25-, and 50-cent coins, requested in the 1964 supplemental appropriations bill and the 1965 appropriations bill.

"On motion, approved and adopted unanimously.

"WESTERN STATES MINING & BUSINESS MEN'S ASSOCIATION.

"By ROY M. HARROP, *Executive Chairman, Omaha, Nebr.*

"Attest:

"HUBERT V. WILLIAMS,

*Executive Secretary and Treasurer, Lead, S. Dak."*

#### CONCLUSION

Now, Mr. President, you have the power to solve this colossal economic problem and free the American people from the strangling debt (public and private) \$1.5 trillion, on which the people are forced to pay an interest total which is greater than the annual gross national product of the labors of about 70 million workers. Bear in mind the proposals of the Western States Mining & Business Men's Association (includes 18 Western States and Alaska) in its adopted resolution heretofore set out, requested that you, President Lyndon B. Johnson, issue a Presidential proclamation raising the monetary price of gold to \$70 and silver to \$3 per ounce. This would not be a subsidy and will help replenish this country's gold reserves, which has been depleted by foreign raids, and such an increase

is the only way to remedy the chaotic conditions in these Western States, which are dependent upon the gold, silver and other metals which can be produced where the Government owns two-thirds of all the land. This act would result in the employment of two unemployed miners and their suppliers, revive the ghost mining towns of the West and restore prosperity to this section of the United States and enable your Great Society program to function for these people. This is the first time in the history of our Nation that a President, in his capacity as Chief Executive, has had the opportunity to help provide aid in a more rapid development of the stagnant Western States, help save lives of our poverty stricken and hungry, jobless workers, who have the right to expect jobs in private industries. These jobs have been wiped out so far because the price of gold and silver will not permit mines to operate at a profit, and restore economic prosperity to this Nation.

No place in the world is gold and silver priced as low as our artificial price in the United States and there is no reason for this condition except that the bankers (national and international) do not want gold and silver money to be used as a medium of exchange. (They cannot collect interest on gold and silver money.) The Creator placed these precious metals in the earth for men to use as a medium of exchange, for goods and services. The use of these metals as medium of exchange would help replace Federal Reserve notes now outstanding and relieve the great interest burden under which we are laboring.

Now, Mr. President, you as the elected representative of the people of these United States (a government of the people, for the people, and by the people) have the power to wipe out this poverty of the mining areas in the 18 western mining States, by raising the price of gold to \$70 per ounce and silver to \$3 per ounce, by Executive order, and we request that you use your authority to do so. With your help we can win this war against poverty in these mining States. You can be sure that the people of the United States will know how to show their appreciation for the added purchasing power made possible by this act and we trust that this proposal will be received favorably by you and placed in effect in the very immediate future.

Yours sincerely,

Roy M. Harrop, Executive Chairman; George Bendel, Executive Vice Chairman; Angelo Rich, Executive Vice Chairman; Benjamin Rice, Director; Harry Daniels, Director; Ralph Canary, Director; W. O. Fillmore, Director; Hubert V. Williams, Secretary-Treasurer.

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NEW MEXICO MINING ASSOCIATION,  
Santa Fe, N. Mex., April 29, 1966.

Hon. ED EDMONDSON,  
*Chairman, Subcommittee on Mines and Mining, House Interior and Insular Affairs Committee, Washington, D.C.*

DEAR MR. EDMONDSON: The New Mexico Mining Association would like to indicate our support for legislation which would improve the financial problems of gold producers—present or potential—who are being squeezed between a fixed price and continually increasing costs of production.

I would very much like to tell you that if Congress enacted legislation which would give some particular amount of assistance—based upon a cost formula—to gold miners, such assistance at one specified level would result in the re-opening of a specific number of mines, and at another specified level, would result in the re-opening of some other specific number of mines. This, however, is not the fact in New Mexico. Increased mining costs eliminated any profit or potential profit long ago to the extent that it is difficult to find anyone in New Mexico with gold properties who can say that their properties would be re-opened. I think we can say, however, that if a combined price and financial assistance were provided equal to \$79 per ounce, this would be a spur to exploration for gold in New Mexico. Furthermore, if legislation were to be enacted which would raise the combined price and financial assistance to a level of \$100 to \$105, we believe that there would be very aggressive exploration for gold in New Mexico.

We endorse S. 2562, H.R. 10925, H.R. 11081, H.R. 10924, and H.R. 11667 which our Association believes would have the best approach to the present gold situation.

Sincerely,

WILLIAM F. DARMITZEL,  
*Executive Director.*

SACRAMENTO, CALIF., April 13, 1966.

In reference to your letter of April 5, 1966, regarding hearings to be held May 4 on bills S. 1377, S. 2562, and S. Res. 83.

Mr. ERNEST GRUENING,  
U.S. Senate,  
Washington, D.C.

DEAR MR. GRUENING: Having been born in Alaska and having mined gold most of my life, I am very appreciative of your efforts to aid the gold miner. For many years I have made a business of placer exploration and find there are a great many gold properties which could be put in to operation if costs were comparable to costs of the 1940's. There is also, no lack of interest by potential investors, only hesitancy to invest, due to the discouraging attitude of government. I have recently been testing two very large gold placers in Alaska, in which I am interested. One of these properties contains placer tin as well as gold, the other contains platinum and gold. Both properties have values which would have been considered high during the 1940's and would support several large dredges. Due to the continued rising costs these properties will probably remain idle.

I am enclosing two articles written by an associate, Mr. Theodore Macklin. Since the closing of the gold mines by L-208 and the freezing of gold at \$35 per ounce, Mr. Macklin has made an exhaustive study of the effects of this dilemma upon our economy. Mr. Macklin is owner of a gold mine which has been shut down for some 15 years due to rising costs of operation.

I am hopeful there will be material in these articles which may be of help to you at the hearings. I am also taking this opportunity to send copies of the two articles to Mr. James A. Williams, Director of the Division of Mines and Minerals at Juneau.

Respectfully,

JACOB BERRY.

(The articles referred to are in the files of the committee.)

ELK CITY, IDAHO, April 20, 1966.

Senator ERNEST GRUENING,  
Chairman, Subcommittee Minerals, Materials, and Fuels, New Senate Office  
Building, Washington, D.C.

DEAR MR. GRUENING: I understand that your committee has scheduled hearings on the gold subsidy, bills and measures.

I am in favor of Bill S. 2562.

Feel sure this subsidy, would open any number of gold mines here. In Idaho County, Idaho, alone.

In my vicinity any number of owners are blocking out ore. Some of course, are just keeping up assessment work. Where the mine is not patented.

I mine all year. Placer some in the spring. Work on an open pit hardrock mine, plus a tunnel. This ore is of 50 dollar grade. Have another mine, with millions of tons of 7 dollar ore. This cannot be worked at 35 dollars an ounce.

The Banner Group, has 40,000 tons of 10 dollar ore, blocked out. Idle.

Lone Pine Mill and mine, has been blocking ore for 3 years. This mill used to employ 30 or more men.

The Wonder Mine, Center Star, are equipped to operate. Many more mines, former big producers, would operate.

With the advent of the Washington Water Power, power lines, to Elk City and Red River areas, many mines, with cheaper power available would operate.

With the passage of Bill S. 2562, feel quite a number of old, plus new mines will go into operation.

This is just what few I know of, here in Idaho County.

Personally, I would be able to set up a mill.

Have the mines.

More mines and mills would operate with the added relief price to 100 dollars an ounce.

I would like to request, that my letter, be incorporated as part of the record in the gold hearings.

Thank you.

Sincerely,

EARL G. RICE.

LAYTONVILLE, CALIF., April 18, 1966.

Hon. Senator GRUENING,  
Washington, D.C.

DEAR SENATOR GRUENING: It has come to my attention that your committee has scheduled hearings on gold subsidy bills May 4 (S2562) and also (in the House) May 5 and May 6. (HR 10924, 10925, 11081, 11667.)

You are to be commended, along with other law makers, for your effort to get the gold industry back in it's proper place in the economy of our country.

My son, who is a mining engineer and I own gold properties near Austin, Nevada. We were forced to close the mine about 18 months ago. This closure was due to high operating costs and low prices for our product, namely gold and silver.

We would immediately re-open the mine if a subsidy bill was passed at a subsidy of from \$40.00 to \$70.00 per ounce. Our operation would be put on a 50 ton/day basis and new equipment would be installed ranging in cost from \$50,000 to \$75,000.

We could produce approximately 250 ounces of gold per month.

May I request that this letter be incorporated as a part of the record in the gold hearings.

Lots of luck. I remain,  
Yours sincerely,

LOTAR JUNG,  
New Pass Mines.

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COSTA MESA, CALIF., April 18, 1966.

Senator ERNEST GRUENING,  
Chairman Subcommittee Minerals, Materials and Fuels, New Senate Office  
Building, Washington, D.C.

DEAR SENATOR GRUENING: I have learned that you and your committee will discuss a gold subsidy bill beginning May 4th and I write to express some opinions.

I have been engineer on a gold property—the Royal-Mt. King in California for over 25 years. During that time the Government price has held firm at \$35 and the costs for operating and producing gold have more than tripled. Every gold mine in California has had to close and the millions of dollars coming out of the ground has been shut off. And this has happened in the eleven western states and Alaska that were pouring billions worth of newly mined gold into Fort Knox. This prosperity could be revived with a substantial subsidy for gold that is still in the ground. There could be a new gigantic industry, great reemployment, a new tax source and welfare coming to the many towns where gold mines are located—all to aid gold mine owners who have been stuck with their idle mines but with a subsidy help, produce again a great flow of gold toward Washington.

The amount of the subsidy should be substantial so that all marginal mines can reopen and produce. It should be around \$1.00 an ounce. That is the case of the big mine I am connected with, where we could shovel from 20,000 to 30,000 tons per day produce millions of dollars worth of gold for our country. And the same thing can happen at the hundreds of gold mines now idle. Under a substantial subsidy, United States can become prosperous beyond belief. Who will prosper mostly. Our country.

The Treasury, as in the past, will doubtless come before your committee and warn that a subsidy will affect the value of the dollar. Please be prepared to point out that gold will be a commodity among ourselves—Americans—and given a subsidy so as to get gold produced and all gold so produced will come into Fort Know and be \$35 gold. Let Foreigners think what they wish. This is our business. Wheat is produced in enormous amount because of a subsidy given them, and the same result would come from a subsidy to gold mine owners.

One thing is important. Get a good sound bill directly into the hands of the President with full explanation. He personally must know how vital it is in these times of "need money \* \* \* and more money."

Sincerely yours,

H. E. BUSH.

COSTA MESA, CALIF.,

April 20, 1966.

Senator ERNEST GRUENING,

Chairman, Mines, Materials and Fuels, New Senate Office Building, Washington, D.C.

DEAR SENATOR GRUENING: In my letter to you of a few days ago I missed telling of something very important, so I am writing again.

In this country there are a few gold mines still weathering the high cost storm and by excellent technical skill, are still operating. But from the information about each one, this cannot go on forever. One of them is the great Homestake mine in South Dakota which has produced in its long lifetime, just short of one billion dollars for its country. Going deeper—now over one mile—means added costs and the time may come, if price help for gold does not come, it will have to close. This great mine and what it has done and is still doing is so well known, that if help is not given and if it should close, the news of this terrible thing will be broadcast throughout the Nation. The fact that the Government now in power has ignored what it has done and is doing and has turned it's back on something great being done for United States.

Would President Johnson want this to happen, if he knew the facts? Wouldn't it be good to have him know this? Is he going to know fully what your committee is doing and what it is aiming at? I certainly hope so, for if he does not know, he is most certain to not sign any bill you pass.

Yours sincerely,

H. E. BUSH.

MOUNTAIN FLOWER MINES.

Alder, Mont.

Senator ERNEST GRUENING.

Chairman, Subcommittee on Minerals, Materials, and Fuels, New Senate Office Building, Washington, D.C.

DEAR SENATOR GRUENING: I have heard about your committee meeting for May 4, 1966, and would request that this letter be incorporated as a part for the record in the Gold hearings.

The Senate Bill 2562 the subsidy of \$44.00 per ounce of gold would be a great help in the mining business. Although a \$100.00 subsidy would put a lot more men to work. Also would meet the price of manpower and supplies.

Here are the findings at my mine. Four men could produce 25 tons of ore per week for 50 weeks which makes 1250 tons. At 16½ oz silver per ton and .565 hundreds oz gold per ton, which totals 20625 oz of silver and 706.25 oz of gold yearly.

Yours truly,

R. H. ROGERS.

OURAY, COLO., April 19, 1966.

Senator ERNEST GRUENING,

Chairman, Subcommittee on Minerals,  
New Senate Office Building, Washington, D.C.

DEAR SIR: It is my understanding hearings on the Gold Subsidy Bills are to be scheduled for May 4, 1966.

I have spent 30 years actively engaged in mining. I have seen Gold mining change from a proud and honorable profession to one of doubt and confusion. Following are four points that have merit:

No. 1: Beginning with Gold Bill L-308 most of the mining people have obtained employment in other fields where conditions and wages are more secure; we find ourselves in a position where we do not have young potential miners for our future mining. Your subsidy bills would help correct this if they are set up for a long period of time.

No. 2: The cost of mining is four times more than it was in the Thirties and Forties, tailings have to be impounded properly, higher wages, Government reports, more expensive mining equipment, higher smelting charges, etc.

No. 3: With a high enough subsidy for Gold the San Juan Triangle alone—Ouray, Silverton, Telluride, and Rico, Colorado—would employ upwards of ten thousand more people engaged in the mining industry and would produce one million more ounces of gold, six million more ounces silver a year. This will take time. Mills would have to be built, investors would have to have some assurance of a satisfactory return of their investment.

No. 4: It is true that bismuth and tellurium are associated with gold and silver. These and other minerals would be recovered in abundance with a stepped up gold program.

I feel that any straight thinking American that truly has the welfare of America at heart can see the wisdom of the Gold subsidy bills.

Respectfully yours,

FRANK O. RICHARDSON.

KELSEY, CALIF., April 19, 1966.

Senator ERNEST GRUENING,  
New Senate Office Building,  
Washington, D.C.

DEAR SENATOR GRUENING: I understand that your Committee has scheduled hearings on gold subsidy bills S. 2562 in the Senate and H.R. 10924, H.R. 10925, H.R. 11081 and H.R. 11667 in the House for early in May. As all of these bills, in general have to do with a subsidy on new mined gold, I am very much interested in a favorable outcome of any legislation which will give the gold miner a fighting chance to survive.

I have been engaged exclusively in mining in El Dorado County, California, since 1930. I developed several properties, one of which produced Two and three-quarter Million Dollars, and two others were in favorable ore, when the mines were shut down by L 208. Before L. 208, I had purchased three and a half miles on the Lead. Like many other mines that were shut down, we sued the Government, but to no avail and I lost all of the money I had spent in developing tunnels, shaft and the underground equipment, and the complete investment I had made in them.

Should a subsidy price be determined favorably for new mined gold, I could immediately reopen one of the mines even at a subsidy price of \$79.00, which I understand one of the bills provides for, because I have continued to keep this property open and am operating it on a small scale. All of the tunnels and drifts are open and all underground pipe and rail in "Go" condition, also there are real good roads to the mine, a complete mill and recovery plant, mill buildings, electric mules, loaders etc. The Mill and buildings are located on a Creek, and there is ample water, and P. G. & E electricity are in and on at this property. I have mined it on a limited scale with a nice recovery from 1956 until 1965 in December, when I shut it down for the winter, and it is at the moment ready to activate.

However, a subsidy which would bring the price of new mined gold to \$79.00 is not realistic where the complete reopening of known veins on now inactive mines is concerned. It would require a price in total of closer to \$100.00 per oz. where roads have to be built, electricity brought in, equipment purchased, buildings erected and a complete new start made.

A subsidy for gold would not be a burden to either the Government or to the tax payer, as in my own area, several worthwhile properties would be operated, both skilled and unskilled labor would be required, thus absorbing quite a bit of the unemployment, materials and equipment would be purchased, stimulating this market, and with the turn over of the Dollar it would indeed stimulate the economy of not only this area but this State and many others, who have been held back by an unrealistic price for gold.

Gold is a commodity, as well as being the basis for our monetary system, as it is used in many fields, and it is my feeling that it should be treated as a commodity and a fair and realistic price be paid for the product, and it does seem that a subsidy, and greater depletion allowances would at this time be a fair and equitable answer.

The Gold Mining Industry has long awaited attention and fair treatment by the Government, and is ready to and will unfold many benefits to individual communities, Counties, and State and Nation alike in a variety of fields: With the increase in employment, purchase of equipment and supplies and the turning over of the Dollar and the resultant tax, this program would not be a Cost to the Government, but would I am sure furnish a new source of income to it.

It is my request that my letter be made a part of the record in the Gold Hearings.

Very truly yours,

WILBUR E. TIMM.

PLACERVILLE, CALIF., April 20, 1966.

Senator ERNEST GRUENING,  
*Chairman, Subcommittee on Minerals,*  
*New Senate Office Building,*  
*Washington, D.C.*

DEAR SENATOR GRUENING: I have 3 mining properties listed as follows:

The Red Hills Group of mining claims located 10 miles south and 5 miles west of Beowawe, Nevada. There is several million tons of ore in this property that will assay \$5.50 per ton. Selby purchased precipitate from this property paying \$33.02 per ounce for gold and \$1.21 per ounce for silver content with no penalties. An increase in the miner's selling price of gold would make this a real property.

The Isabella Group of mining claims located 6 miles north and 1 mile west of Luning, Nevada. There is a limited amount of ore on this property. 200 assays taken on this property averaged \$13.97 per ton. We are satisfied this property will average \$8.00 per ton all the way. This is also a leach ore.

The Horse Shoe Group of mining claims located 25 miles southeast of Yerington, Nevada. This is a copper property with gold and silver. Assays from this property have run up to \$58.00 per ton. These assays were on or near the surface.

I sincerely hope this information will aid you with your effort to do something about the gold price.

I request this become a part of the record pertaining to the price of gold.

Sincerely yours,

W. E. NARKAUS.

BEOWAWE, NEV., April 20, 1966.

Senator ERNEST GRUENING,  
*Chairman, Subcommittee Minerals,*  
*New Senate Office Building,*  
*Washington, D.C.*

DEAR SENATOR GRUENING: I am interested in 3 different mining properties that an increase in the price of gold to the miner would constitute these properties going to work.

They are as follows:

The Red Hills Group of mining claims located near Boewawe, Nevada.

The Isabella Group of mining claims located near Luning, Nevada.

The Horse Shoe Group of mining claims located south east of Yerington, Nevada.

I sincerely hope this information will aid you with your effort to do something about the gold price.

I request this become a part of the record pertaining to the price of gold.

Sincerely yours,

L. E. GILBERT.

PORT ANGELES, WASH., April 25, 1966.

Senator ERNEST GRUENING,  
*Chairman, Subcommittee on Minerals,*  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR GRUENING: I received your letter April 5th, some time ago. I have been laid up with the flu—which has made me late in answering.

I think the Bills for aiding the gold miner should be passed. There is no chance of profitable mining now—and it is getting worse as the costs rise.

I have many gold mining claims, in Porman District, lying idle. The lessors or option company just can't make it. But, they are holding the ground in hope there will be a raise in gold.

I prospected and mined gold around Nome from 1906 to 1915 when gold was only \$20 per ounce.

Although the prices of commodities were very low, it was hard to make a go of it.

You could get a good meal in the restaurant for 75¢, a good steak 25¢ a lb., a quart bottle of Old Crow for \$1.50, wages \$5 a day.

Then after the price of gold was raised to \$35 per oz. the cost of mining had already raised in proportion.

After the Government shut-down of mining in 1943, gold mining has never come back.

I must say this, if the Government wants gold mining to survive, there must be something done about it.

Yours very truly,

I. W. PURKEYPILE.

JUNEAU, ALASKA, May 3, 1966.

HON. ERNEST GRUENING,  
U.S. Senate,  
Washington, D.C.:

Meeting tonight Alaska Miners Association endorsed without reservation S. 2562 and S. 2596 and ask your continued support for these measures on behalf of the Miners of Alaska. We want to thank you for what you have done. This is a step in the right direction.

RAY RENSHAW,  
Chairman, Alaska Miners Association, Juneau Branch.

SAN ANDREAS, CALIF.,  
May 4, 1966.

Senator ERNEST GRUENING,  
Chairman of Subcommittee on Mines and Mining,  
Senate Office Building, Washington, D.C.:

We have today sent the following telegram to John R. Ross of Calaveras County, California: "The Board of Supervisors of Calaveras County stands with you as you testify in behalf of the gold industry. Our mineral wealth including gold is a source of economic power for California and for the Nation to be effective; it must be developed to have a realistic market. Your longstanding efforts toward this end are worthy of success. If successful they will revolutionize the historic gold industry." We urge your encouragement and support of Mr. Ross.

ROBERT W. BOLES,  
Chairman of the Board of Supervisors, Calaveras.

NOME, ALASKA, May 2, 1966.

HON. ERNEST GRUENING,  
Chairman, Subcommittee on Minerals and Fuels,  
U.S. Senate, Washington, D.C.:

We strongly and wholeheartedly support your moves for a price support on gold. Seward Penn area most promising gold producing potential, but need help badly and with help will be the biggest mineral producer. Good luck.

PEARSE M. WALSH.  
NEAL W. FOSTER.

SIERRAVILLE, CALIF., May 3, 1966.

Senator ERNEST GRUENING,  
Chairman, Subcommittee on Mineral Materials and Fuels, Senate Interior and Insular Affairs Committee, Senate Office Building, Washington, D.C.:

Senate and House Interior and Insular Affairs Committee hearings are to be held on May 4, 5, and 6 in Washington D.C., on legislation to provide incentive payments for revitalizing domestic gold production; and

Whereas gold production has been of major economic value and interest to Sierra County for the past 115 years; and

Whereas the last major producing gold mine in Sierra County was forced to close in December 1965 due to a set price for gold; and

Whereas no significant part of the gold mining industry now remains, which for over a century served the economy of Sierra County; now, therefore, be it

Resolved, that the U.S. Senate and House Interior and Insular Affairs Committee give sincere consideration in seeking reasonable and appropriate legislation for the revival of domestic gold production as a basic industry of local communities and as a benefit to the States and Nation.

I. J. WRIGHT,  
President, Sierra County Chamber of Commerce.

GRASS VALLEY, CALIF., April 30, 1966.

SENATOR ERNEST GRUENING,  
Chairman, May 4 hearing on Material, Minerals, and Fuels, Senate Office  
Building, Washington, D.C.:

Whereas the Golden Chain Council of the Mother Lode links together the major gold producing counties of California;

Whereas economy of the gold mining area has been drastically affected by the closing of all gold producing mines;

Whereas a price increase or an incentive in whatsoever amount would greatly stimulate the economy by the reopening of the gold mines; now therefore, be it

Resolved, that the Golden Chain Council of the Mother Lode go on record as supporting legislation now being heard before the Senate and congressional committee for relief legislation.

GOLDEN CHAIN OF THE MOTHER LODGE.

BUTTE, MONT., May, 3, 1966.

HON. ERNEST GRUENING,  
Chairman, Subcommittee on Minerals, Materials, and Fuels, Senate Committee  
on Interior and Insular Affairs, New Senate Office Building, Washington,  
D. C.:

The Mining Association of Montana urges approval of the gold subsidy bill S. 2562. We believe it will revitalize the gold mining industry.

W. G. MALONEY,  
Secretary-Manager, Mining Association of Montana.

FAIRBANKS, ALASKA, May 4, 1966.

SENATOR ERNEST GRUENING,  
Chairman, Subcommittee on Minerals, Materials and Fuels, New Senate Office  
Building, Washington, D.C.

DEAR SENATOR; Thank you for your efforts to increase domestic gold production by providing adequate and just compensation to the gold miner.

ADOLPH VETTER.  
Mr. and Mrs. RUDOLPH VETTER.  
VETTER BROS.

VALDEZ, ALASKA, April 21, 1966.

Senator ERNEST GRUENING,  
Washington, D.C.

DEAR SENATOR GRUENING: I was out trying to get into my two prospect Claims when you were here and did not get to see you.

I want to thank you for all the good work you are doing and the interest in we so badly need in Gold Mining.

I sent Mr. James A. Williams of Juneau a statement of the good I thought compensating Gold Mining would do. I do believe the Revenue received by the U.S. Treasury would be twice that spent in compensation to the Gold Mining Industry.

I am much in favor of your Bill S. 1377. It seems workable and fair.

Again I thank you.

Very sincerely yours,

I. N. WOODMAN.

NOME, ALASKA, May 2, 1966.

HON. E. L. BOB BARTLETT,  
U.S. Senate, Washington, D.C.:

Deeply appreciate your untiring efforts for a price support on gold. Seward Penn holds key to greatest potential for gold and other materials.

Regards.

PETE WALSH,  
NEAL W. FOSTER.

COUNTY OF PLACER,  
OFFICE OF BOARD OF SUPERVISORS,  
Auburn, Calif., April 28, 1966.

Senator ERNEST GRUENING,  
Chairman of Subcommittee on Mines and Mining,  
Senate Office Building, Washington, D.C.

DEAR SENATOR GRUENING: Enclosed is a certified copy of Resolution No. 66-152 Expressing Support For Revitalizing of Domestic Gold Production which was passed by the Placer County Board of Supervisors at a regular meeting April 26, 1966.

Very truly yours,

PLACER COUNTY BOARD OF SUPERVISORS,  
By PHYLLIS HARRIS, *Deputy Clerk.*

RESOLUTION No. 66152, A RESOLUTION EXPRESSING SUPPORT FOR REVITALIZING OF DOMESTIC GOLD PRODUCTION

Whereas, domestic gold production is a matter of great economic value and interest to the County of Placer, State of California, having been a basic industry of the County of Placer since the Gold Rush of 1849; and

Whereas, the Placer County Board of Supervisors earnestly supports sincere consideration of and enactment of, appropriate federal legislation to promote and encourage revival of gold mining as a basic industry for the benefit of Placer County, State of California, and the United States.

Now, therefore, be it resolved that the U.S. Senate and House Interior and Insular Affairs Committee give sincere consideration and its support to seeking legislation for reasonable and appropriate means of reviving and revitalizing domestic gold production as a basic industry for the benefit of local communities, states, and the United States.

The foregoing Resolution was duly passed by the Board of Supervisors of the County of Placer, at a regular meeting held on the 26 day of April 1966, by the following vote on roll call:

Ayes supervisors: Lambert, Radovich, Paoli, Briner & Jones.

Noes supervisors: None.

Absent supervisors: None.

Signed and approved by me after its passage this 26 day of April 1966.

WILL JONES,  
*Chairman, Board of Supervisors.*

Attest:

[SEAL]

MAURINE I. DOBBAS,  
*Clerk of said Board,*  
By PHYLLIS HARRIS, *Deputy.*

SIERRA COUNTY BOARD OF SUPERVISORS,  
*Downieville, Calif., April 28, 1966.*

Senator THOMAS H. KUCHEL,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR KUCHEL: Enclosed is a certified copy of Resolution No. 66-9 of the Sierra County Board of Supervisors urging that the Subcommittees on Mines and Mining find realistic answers to the problems of the gold mining industry.

These Board feels that re-activation of the gold mining industry will greatly improve the economy of Sierra County.

The Board is particularly interested in Senate Bills 2562 and 2596 and House Bills 10925 and 11472.

Sincerely yours,

FLORENCE B. McCORMICK, *Clerk.*

RESOLUTION No. 66-9

Whereas, the House of Representatives Subcommittee on Mines and Mining will hold hearings on May 5 and 6, 1966, on a bill by Congressman Harold T. Johnson directed towards revitalizing the American gold mining industry; and

Whereas, the domestic gold production in the United States as a whole is now at its lowest level in history, and proposals are needed to rebuild the gold mining industry stricken by artificially depressed prices of gold which have been unchanged since depression days; and

Whereas, the County of Sierra has from its birth been a substantial gold producing area, but now this once flourishing gold mining industry is all but completely dormant in Sierra and other gold mining counties of California, and other Western states;

Now, therefore, be it hereby resolved: That the House of Representatives Subcommittee on Mines and Mining is urged to find realistic answers to the problems which are strangling the gold mining industry in this country and is urgently requested to provide means for the betterment of existing conditions within the domestic gold mining industry directed towards reopening our closed mines, to stimulate an aggressive search for new gold ore reserves, and to preserve the stability and longevity of our few existing gold mines, all to the end that there might be a substantial increase in domestic gold production in the United States.

The Clerk is directed to send certified copies of the above resolution to the following:

1. Senator Thomas H. Kuchel and Senator George Murphy, Senate Office Building, Washington, D.C.
2. Congressman Wayne N. Aspinall, Chairman, House Committee on Interior and Insular Affairs, House Office Building, Washington, D.C.
3. Congressman Ed Edmondson, Chairman, Mines and Mining Subcommittee, House Office Building, Washington, D.C.
4. Mr. Lewis L. Huelsdonk, General Manager and Engineer, Best Mines, Inc., Downieville, California.

The foregoing resolution was duly passed and adopted by the Board of Supervisors of the County of Sierra, State of California, at a regular meeting held on the 18th day of April, 1966, by the following vote:

Ayes: Supervisors Withycombe, De Grio, Van Nelson, Patton, Torri.

Noes: None.

Absent: None.

KENNETH A. TORDI,

*Chairman, Board of Supervisors, Sierra County, Calif.*

Attest:

[SEAL]

FLORENCE P. MCCORMICK,

*Clerk of Said Board.*

RESOLUTION No. 1163 OF BOARD OF SUPERVISORS, JACKSON, AMADOR COUNTY, CALIF.

Whereas, the County of Amador as recently as 1940 had in excess of 850 men employed in its regular producing gold mines; and

Whereas, today such employment is insignificant;

Now, therefore, be it resolved by the Board of Supervisors of the County of Amador that full support is given companion measures S. 2562 and H.R. 10925 together with S. 2596 and H.R. 11472 being heard by the Senate Sub-Committee on Mines and Mining, and the comparable Sub-Committee of the House of Representatives on May 4, 5 and 6th.

Be it further resolved that both of said Sub-Committees weigh the economic impact of such legislation on the local mining communities throughout our Mother Lode.

Be it further resolved that the Clerk of said Board forward copies of this Resolution to Senator Ernest Gruening, Chairman, Sub-Committee on Mines and Mining, Senate Office Building, Washington, D.C.; Representative Ed Edmondson, Chairman, Sub-Committee on Mines and Mining, House Office Building, Washington, D.C.; Representative Harold T. Johnson; Senator George Murphy and Senator Thomas H. Kuchel.

The foregoing Resolution was duly passed and adopted by the Board of Supervisors of the County of Amador at a regular meeting held on April 26th, 1966, by the following vote:

Ayes: Supervisors, Elgin R. Bowers, Myron D. Questo, Harold E. Colburn, Thomas E. Powelson, Frederick G. Geis.

Noes: None.

Absent: None.

MYRON D. QUESTO,

*Chairman, Board of Supervisors, Amador County, Calif.*

Attest:

[SEAL]

LEOTTA M. HUBERTY,

*County Clerk and Ex-Officio Clerk.*

## RESOLUTION No. 66 OF THE NEVADA COUNTY BOARD OF SUPERVISORS, STATE OF CALIFORNIA

Whereas, in 1940, Nevada County employed 3480 men in its regular producing gold mines, and,

Whereas, because of the frozen price of gold all the regular gold mines of Nevada County have been closed; and,

Whereas, throughout Nevada County and the Mother Lode area there is depressed employment; and,

Whereas, revitalization of the gold mines would employ large groups of men,

It is hereby resolved that the Board of Supervisors recommend the passage of S2562 and HR 10925, which are intended to provide assistance and incentive payments to the gold mining industry in the form of an increased price of gold; and,

It is requested that the Clerk of the Board send a copy of this Resolution to the U.S. Senate and to the House Interior and Insular Affairs Committee; and to Sen. Ernest Gruening, Chairman, Subcommittee, Mines and Mining, Senate Office Building, Washington (25), D.C.; and Representative Ed Edmondson, Chairman of the Subcommittee, Mines and Mining, House Office Building, Washington (25), D.C.; and to Harold T. (Bizz) Johnson, Senator, 2nd District, House Office Building, Washington (25), D.C.; and to Senator Thomas H. Kuchel, Senate Office Building, Washington, D.C. (25); and to Senator George Murphy, Senate Office Building, Washington (25), D.C.

Passed and adopted as a resolution of the Board of Supervisors of the County of Nevada, State of California, at a ----- meeting thereof on the 2nd day of May, 1966, by the following vote:

Ayes: Supervisors: Ricker, Bennallack, Hartman, Blake.

Noes: Supervisors: None.

Absent: Supervisors: Loehr.

GENE M. RICKER,  
*Chairman of the Board of Supervisors.*

THEO A. KOEHLER, JR.,  
*Clerk of the said Board.*

Attest:  
[SEAL]

## BOARD OF SUPERVISORS, COUNTY OF MARIPOSA—RESOLUTION No. 66-17

Whereas Senate and House Interior and Insular Affairs Committee hearings on legislation to provide incentive payments as a means for revitalizing domestic gold production in the United States are to be held on May 4, 5 and 6 in Washington, D.C., and

Whereas legislation that will provide help to revitalize the domestic gold mining industry would have economic impact that would greatly benefit Mariposa County, and

Whereas, according to the Division of Mines and Geology records, Mariposa County employed over 235 men in its regular producing gold mines in 1940 and today such employment is insignificant.

Now, therefore, be it resolved that the Board of Supervisors of the County of Mariposa earnestly urges support of S. 2562 and H.R. 10925.

Passed and adopted by the Board of Supervisors of the County of Mariposa, State of California, this 26th day of April, 1966, by the following vote:

Ayes: McGregor, Hurlbert, Gordo, Mecham, Schatz.

Noes: None.

Absent: None.

Not Voting: None.

HARRY F. HURLBERT,  
*Chairman of the Board of Supervisors.*

I, Gabrielle Wilson, do hereby certify the foregoing to be a full, true and correct copy of the Resolution made by the Board of Supervisors, as the same appears upon their minute book. Witness my hand and seal of said Board of Supervisors, affixed this 28th day of April, 1966.

[SEAL]

GABRIELLE WILSON,  
*County Clerk and Ex-Officio Clerk of the Board of Supervisors.*

IN THE SENATE

BY THE RULES COMMITTEE

SENATE RESOLUTION No. 24 IN THE LEGISLATURE OF THE STATE OF ALASKA,  
FOURTH LEGISLATURE—SECOND SESSION

Supporting gold production legislation pending in Congress

Be it resolved by the Senate:

Whereas on May 4 the Subcommittee on Minerals, Materials and Fuels of the Senate Interior and Insular Affairs Committee will hold hearings on three proposals which will encourage the mining of gold in the United States; and

Whereas the chairman of the Subcommittee is Senator Ernest Gruening of Alaska, and one of the proposals before the Subcommittee will be S. 1377, a proposal by Senator Gruening which would provide compensation to gold miners for increases in costs of production since the last quarter of 1939; and

Whereas the hearings will also include a proposal by Senator E. L. Bartlett to establish a Select Committee on Domestic Gold Production; and

Whereas the encouragement of the domestic production of gold is of vital and continuing interest to Alaska;

Be it resolved that Congress is requested to give favorable consideration to proposals now before it for encouraging the domestic gold industry.

Copies of this resolution shall be sent to the Honorable Henry M. Jackson, Chairman, Senate Interior and Insular Affairs Committee; the Honorable Wayne N. Aspinall, Chairman, House Interior and Insular Affairs Committee; and the Honorable E. L. Bartlett and the Honorable Ernest Gruening, U.S. Senators, and the Honorable Ralph J. Rivers, U.S. Representative, members of the Alaska delegation in Congress.

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REPORT PRODUCTION INCENTIVES

IN THE STATE

BY THE HOUSE COMMITTEE

ON THE COMMERCE AND TRADE OF THE STATE OF TEXAS  
IN THE 57th LEGISLATIVE SESSION

The following report was prepared by the committee on the subject of production incentives in the state of Texas. It is based on a study of the various laws and regulations which have been enacted in this state for the purpose of encouraging the production of certain commodities. The committee has found that these laws have had a beneficial effect on the production of these commodities, and it recommends that they be continued and improved.

The committee has also found that there are certain commodities which are not currently produced in this state, but which it is desirable to encourage the production of. It recommends that laws be enacted to encourage the production of these commodities.

The committee further recommends that certain provisions of the laws which have been enacted be amended, so as to make them more effective. It also recommends that certain provisions be added to these laws, so as to make them more comprehensive.

The committee believes that these recommendations will be of great benefit to the state, and it urges the passage of the laws which it recommends.