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Congressional Record S. 5742-45 - Economic Foresight (Proposal for New Approach)

Mike Mansfield 1903-2001
CONGRESSIONAL RECORD — SENATE
April 11, 1974

A PROPOSAL FOR A NEW APPROACH
ON ECONOMIC FORESIGHT

Mr. MANSFIELD. Mr. President, at the beginning of the year a proposal was
advanced at the first meeting of Senators of the majority party on January 24,
and again in the State of the Congress television address on February 1,
concerning the establishment of some instrumentality to bring together represen-
tatives of the legislative and executive branches with representatives of
agriculture, business, labor, and other private communities for the purpose of
identifying and doing something about areas of potential national crises.
This proposal was discussed with the Senate Minority Leader (Mr. Hart Scott)
on a completely nonpartisan basis and, together, we addressed a letter to the
President on February 19, 1974. On March 25, the President wrote to us, re-
sponding affirmatively to our letter suggesting that several representatives of
the executive branch—Secretary of the Treasury George Shultz; Director of
OMB, Roy L. Ash; Director of the Cost of Living Council, John T. Dunlop; As-
sistant to the President, Peter M. Flanigan; and chairman of the Council of
Economic Advisers, Herbert Stein—join in an initial exploratory meeting.
On April 9, the Senate Democratic Policy Committee endorsed the idea of
the proposed meeting in a formal resolution. The House and Senate leadership
of both parties subsequently discussed the matter and agreed on the desirability
of pursuing the matter. An initial meeting has been called for April 30, 1974, at
10 a.m. in the office of the Senate majority leader. We expect that about a dozen
persons from the two houses and the executive branch will be in attendance.
Mr. President, just as an indication of what is ahead, I cite from a Morgan
Guaranty Trust Co. survey, under date of March 1974, a list of U.S. import de-
pendencies as a percent of consumption in 1973. We depend upon bauxite for 84
percent of our imports. We do not have bauxite domestically.

Chromium, our dependence is 100 per-
cent. Cobalt, 100 percent. Copper, 8 per-
cent. Iron ore, 29 percent. Lead, 19 per-
cent. Manganese, 100 percent. Mercury, 82 percent. Nickel, 22 percent. Tin, 100
percent. Tungsten, 56 percent. Zinc, 50

With respect to three-quarters of these critical materials, the United States
depends for more than half its needed supplies on sources outside of our
country. In many cases we are 100 percent
dependent.

Mr. President, this is just a beginning. At the present time, for example, we im-
port 84 percent of our bauxite needs. The bauxite-producing nations have been
approaching the example set by the OPEC countries—grouping countries
for the purpose of increasing the price of bauxite.
At about the same time, seven banana-
producing nations got together for the
purpose of considering an increase in the
price of bananas. Certainly we do not
need bauxite to get by, but we do need
many other commodities and materials,
such as bauxite, copper, iron ore, and the
like, if we are to survive. We have to
recognize that we are a have—not nation
in respect to many items.

If we have learned anything from the
oil embargo that was placed against us
by our neighbors during the winter, we are
very vulnerable in other areas, as well. So let
us hope that this will mark the begin-
ing of facing up to a situation that we
cannot avoid.
The distinguished minority leader (Mr.
Hart Scott) and I have discussed the
so-called Palley Commission Report, which was in 1952 and was a crea-
ture of the Truman administration. The
Chairman of that Commission was Mr.
William Paley, chairing the Columbia
Broadcasting System.

In that report, we find many things
which were prophetic, but which no one
paid any attention to at that time. The
result is that we have suffered and suf-
dered drastically.

We hope that if this proposal of the
distinguished Republican leader’s and
mine gets under way, one of the people
with whom we could establish contact
for advice and counsel would be Mr. William
Paley, because he has properties and be-
cause of the validity of his report, which
still stands today.

Mr. President, I ask unanimous
consent that I insert in the record the
portion of the report from the Morgan
Guaranty survey of March 1974 entitled
“Foreign Raw Materials: How Critical Are They?”
be printed in the Record at this point along with various correspond-
ence, statement excerpts and the Majority
Policy Committee resolution on this matter.

There being no objection, the material
was ordered to be printed in the Record,

FOREIGN RAW MATERIALS: HOW CRITICAL ARE THEY?

Over the past twenty years a gradual ero-
sion has taken place in this country’s self-
sufficiency in raw materials. Domestic out-
put of a broad range of basic metals and
minerals—quite aside from oil—has lagged
behind the rate of increase in the U.S. as
a consequence, has entered a new era—one
marked by mounting dependency on foreign
resources.

The U.S., for example, for a long time
has been completely dependent on imports for
the cobalt, copper, tin and tungsten. Foreign
sources last year supplied 84% of the
bauxite consumed in the U.S., 92% of the
manganese, 86% of the tin. In the last
decade alone, reliance on foreign-sources
tungsten has doubled, and imports as a per-
centage of consumption of many other com-
mmodities from asbestos to zinc have shown
surprising increases.

In some cases—such as lead and mercury—
increased concern with in-situe pollution
control has resulted in curtailed domestic
smelter production. In others, foreign sources
have been tapped because domestic ores are
easier and cheaper. Iron ore is one example of
many. High-grade iron ore can be brought in
from such places as the Philippines, for several
dollars a ton less than low-grade ore can be
produced in Michigan’s Mesabi Range.
The mounting dependence of the U.S. and other
developed nations on imported raw
materials is bringing a significant change in
relations between consumers and suppliers.
Particularly in the environment of the re-
cent past—featuried by a world-wide boom
in raw materials, many Industrialized coun-
ctries have found that their rich mineral
endowment can be used to score gains, both
economic and political.

Oil, of course, is today’s most publicized
example. But many other commodities have
been affected in one way or another. Prices
have been raised. Producers nations have
insisted that raw products be processed to a
higher degree at home. And in many places
local ownership of production facilities has
been increased—in some cases to 100%-
nationalization, nationalization, nationalization.

Is there a possibility of new cartels similar
to the one formed by foreign oil producers?
The question is not merely academic, judging
by the statements of officials of some pro-
ducer nations. They have heralded the dawn-
ing of a new era of “product diplomacy.” Not
unnoticed, too, was the meeting earlier this
month in Guineas of seven major bauxite pro-
ducers. Press reports told of the formation of a
“mineral club,” but nobody knows—nor, for
now, anyway—the governments had decided
against embargo or price control moves sim-
ilar in response to a protestation of Petro-
leum Exporting Countries.

A key consideration in all this, of course, is
the degree of concentration of world mineral
reserves. Providence, in sprinkling minerals
around the earth’s crust, has favored some
areas a lavish way while sparing others.
A relatively few countries, thus, hold the
bulk of a number of major minerals. (In some
cases, such as bauxite, Amadid, too, were
the bounty were distributed more
equitably, its rapid—some would say profit-
ate—churn-up of minerals has depleted
many of its reserves.

The pattern of concentration for a dozen
key minerals is shown in the box on page 11.
In each instance, reserves in one or a few of other
nations which individually account for at
least 8% of total world reserves.

Examples of concentration: Australia and
Guinea together are found to have more than
half of the world’s bauxite reserves. South
Africa alone has 63% of chromium reserves
and, with Southern Rhodesia added, the con-
centration rises to 98%. Spain has just under
half of world mercury reserves. Three coun-
tries—Thailand, Malaysia, Indonesia—have
69% of tin reserves. And nearly half of world
reserves of nickel is held by two countries:
New Caledonia and Canada.

Note, however, that the pattern of concen-
tration may vary by official reserve estimates is
necessarily a qualified and limited one. Re-
sources are defined as known, identified de-
posits of mineral-bearing rock from which
minerals can be extracted profitably with
existing technology and under present eco-
nomic conditions. New discoveries could
swiftly change the picture. So, too, could
new breakthroughs in extractive technology.
Furthermore, the chemical “flotation” method
was developed to produce pellets of iron from
low-grade ore. Minable copper deposits which
consequently, were increased by 780 million tons.
or about 8%). And under changed economic conditions, and with upward adjustments in prices, the size of many nations’ mineral reserves would be significantly altered.

Still, for the present, concentration of reserve sources indicates that major material producing nations are in a position to determine market conditions. In actuality, however, the real situation may be quite different for a variety of reasons. Among them: Substitutes can be found and synthetic development of many commodities if they should get too costly or scarce.

Commodification has different cultural and historical backgrounds and diverse political and economic philosophies which would level itself in the end.

Most producers, unlike the Arab nations, lack financial reserves to squeeze back production without impairing their economic growth.
against the future possibility of foreign em­
largement and price instability, a large stockpile would be a form of low-cost insurance against shortages.

Eight days account for the bulk of the stockpile’s value. Here are the eight, showing the value at the peak level reached in 1969, the agreed upon size of the stockpile, and the proposed target level put forth by the Nixon Administration in April 1973.

<table>
<thead>
<tr>
<th>Year</th>
<th>Latest (Dec, 1973)</th>
<th>New objective</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousand tons</td>
<td>Thousand tons</td>
</tr>
<tr>
<td>Stockpile</td>
<td>Months' supply</td>
<td>Months' supply</td>
</tr>
<tr>
<td>Tin</td>
<td>347</td>
<td>77</td>
</tr>
<tr>
<td>Chrome</td>
<td>1,970</td>
<td>141</td>
</tr>
<tr>
<td>Aluminum</td>
<td>1,970</td>
<td>141</td>
</tr>
<tr>
<td>Long-term</td>
<td>10,623</td>
<td>63</td>
</tr>
<tr>
<td>Manganese</td>
<td>1,781</td>
<td>14</td>
</tr>
<tr>
<td>Lead</td>
<td>1,781</td>
<td>14</td>
</tr>
<tr>
<td>Zine</td>
<td>1,781</td>
<td>14</td>
</tr>
<tr>
<td>Copper</td>
<td>1,781</td>
<td>14</td>
</tr>
</tbody>
</table>

Note: Months’ supply under the new objective is based on average consumption per month in 1973.

EXCEPT FROM REMARKS OF SENATOR MIKE MANSFIELD (D, MONTANA) BEFORE THE SENATE DEMOCRATIC CONFERENCE ON JANUARY 24, 1974, “JANUARY 1974—20 SESSION, 93D CONGRESS”

It was my hope, therefore, that we will address our various problems both with a cross-section of industry and labor and other areas of our national life. The fusion of ideas and interests from these sources should help us to establish useful economic yardsticks. In turn, we may begin to curb in some orderly way the ingrained tendencies of government to spend vast sums out of force of habit or for exotic and wasteful endeavors—whether military or civilian. Perhaps the resources of the federal government can then be used more effectively and efficiently to promote the national welfare. Perhaps, then, the President’s budget—which has now broken the $300 billion barrier—can be reduced and better framed to meet the over-all requirements of the nation for today and tomorrow.

EXCEPT FROM STATEMENT OF SENATOR MIKE MANSFIELD, MAJORITY LEADER, ON FEBRUARY 1, 1974, “STATE OF THE CONGRESS—1974”

I hope that the concern of the Government will not stop with the energy shortage. The need is to take a careful look not only at the flashing of this single danger signal but at the whole integrated switchboard of our national existence. It is not enough, for example, for the federal government to spend tens of millions of dollars in a rescue operation to keep the bankrupt Penn Central on the tracks. We need to know where an action of this kind fits into a national rail policy; where that policy, in turn, fits into the national transportation pattern that pattern, in turn, fits into the over-all requirements of the nation, today, and for the future. In short, we need to think ahead and begin to make the hard political choices between what is more important and what is not; what between what is enduring and what is transitory. That is the full scale by which government intervention in the national economy, when it must take place, should be measured. Unless we begin soon to develop that scale, the right hand of government will tend more and more to undo or do over what the left hand has just done.

It seems to me that it is time to consider setting up some organization for coordinating our thinking as to what is more important and what is less important to the nation and its future, for delineating the durable needs of a decent national survival. Perhaps, some new and continuing machinery brings together the Executive Branch and the Legislative Branch for this purpose and couples both with a cross-section of industry and labor and other areas of our national life. The fusion of ideas and interests from these sources should help us to establish useful economic yardsticks. In turn, we may begin to curb in some orderly way the ingrained tendencies of government to spend vast sums out of force of habit or for exotic and wasteful endeavors—whether military or civilian. Perhaps the resources of the federal government can then be used more effectively and efficiently to promote the national welfare. Perhaps, then, the President’s budget—which has now broken the $300 billion barrier—can be reduced and better framed to meet the over-all requirements of the nation for today and tomorrow.

DEAR MR. PRESIDENT: It occurs to us that there is a need to look beyond the current crisis to the way in which our economic life has come to be organized. The energy shortage is a part, not the whole of the difficulty which confronts the nation’s economy. Despite the many things elsewhere on the complex switchboard of our national existence.

It is our thought that there must be a better way to deal with the needs of our people than by Federal intervention and bail-outs to shore up faltering parts of the economy, on a crash-basis. The practice of waiting for the storms to strike and then, hurriedly, erecting shelters is not only wasteful and inefficient of the resources of the nation but its cumulative effect may well be devastating.

There is a need, it seems to us, to anticipate and, as far as possible, to act in an orderly fashion before the difficulties have descended on us. Unless we have some synchronized and coordinated machinery for this purpose, the nation will be subjected to a plague of crises, one after another, in the years ahead. It is our suggestion, therefore, that we consider bringing together representatives of the Legislative and Executive Branches of the government on a regular basis with those of industry and labor and other areas of our national life for the purpose of thinking through our national needs, not only as they confront us, today, but as they appear in the years to come.

Sincerely,

Mike Mansfield, Hugh Scott.
April 11, 1974

CONGRESSIONAL RECORD — SENATE

and appreciate the suggestion that representatives of the House and Senate meet with Secretary Shultz, Director Ash, Director Dunlop, Director Flanigan, and Chairman Stein to discuss the subject further.

The Senate Majority Policy Committee has endorsed the proposal in a resolution, a copy of which is enclosed. The House and Senate leaderships have discussed the matter and we are in agreement on the desirability of pursuing the matter. An initial meeting has been set up for April 30, 1974, at 10:00 a.m. in the office of the Senate Majority Leader. We expect that about four members of each House will be in attendance. This letter, copies of which are being sent to those representatives of the Executive whom you mentioned in your communication of March 26, will serve as our invitation to them to attend the meeting.

With best wishes, we are
Sincerely yours,

M. J. MANFIED, Majority Leader.

ADOPTED BY SENATE DEMOCRATIC POLICY COMMITTEE April 9, 1974

Whereas, the energy shortage has kindled a national awareness of the uncertain supply of many resources, materials and commodities vital to national needs;

Whereas, the energy shortage also revealed that the nation is not equipped to provide a continuing and interconnected evaluation of the status and availability of basic resources, materials and commodities and, hence, cannot make the most effective and timely response to situations of adversity, with consequent detriment to the national well being;

Whereas, the Senate Majority Conference has approved Leadership efforts to pursue, in concert with the Senate Republican Leadership, the establishment of an appropriate forum at the highest level of national life for the purpose of assuring that national needs are fulfilled; and

Whereas, the President has indicated in a letter dated March 30, 1974, to the Leaders of the Senate his readiness to cooperate in an examination of this question:

The Democratic Policy Committee recommends:

(1) that consideration be given to constituting a national instrumental composite of representatives of the Legislative and Executive Branches and members of the agricultural, industrial, labor and other private communities of the nation;

(2) that such instrumental composite have the capacity both to foresee potential areas of national economic crisis and to propose to the President and the Congress such planning and policy alternatives as may be necessary to prevent or mitigate any such crisis; and

(3) that the Majority Leader, in concert with the Senate Republican Leader, engage in discussions with designers of the House Leadership and of the Administration in pursuit of the establishment of such an instrumentality.

Mr. HUGH SCOTT, Mr. President, the Senate from Montana indicated that he would yield.

I am generally familiar with the subject matter he has discussed. I have not yet had an opportunity to read in full and complete detail the statement of the distinguished majority leader, but we have been in contact and discussion on this matter for some time.

We have called the attention of the White House to the proposal for a joint future planning effort, and we have also advised the leaders of the other body of both parties, and we are sending some additional information to all of them today.