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DEPARTMENT OF GEOLOGY & MINERAL INDUSTRIES
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WESTERN STATES MINING CONFERENCE

On August 10 and 11 delegates appointed by the governors of the eleven western states and South Dakota met in San Francisco at the request of Governors Carville of Nevada and Warren of California to consider problems facing the mining industry and to make recommendations. A report of the proceedings of the conference has been issued. Governors Carville and Warren, both of whom addressed the conference, stated (quoting from the report) ". . . that the principal motive in calling the conference had been to ascertain whether any changes in the existing laws and regulations affecting mining should be made, and whether any new laws were necessary, in order to enable the mining industry to do its full part in the reconversion of the Nation from war to peace, and in making available the maximum economic employment of men in the mining industry."

Space does not permit quoting the complete report. All of the recommendations made are of importance to Oregon, but those which are perhaps of most concern to this state are reproduced below.

The Production and Marketing of Gold

War Production Board Order L-208:

In the opinion of this Conference, War Production Board Order L-208, singling out gold mining as the sole American industry to be closed down during the war by government order, never was justified. Incontrovertible facts showing such lack of justification were available to and should have been known by the War Production Board at the time the order was promulgated. The order never accomplished its stated purpose of diverting man-power and materials into strategic metal mines. The needs of postwar employment require that jobs be available in the gold mines and dredging operations so soon as the man-power shortage ceases. In order to enable mine operators to prepare for resumption of operations, Order L-208 should be rescinded now and, pending the effective date of such rescission, the War Production Board should adopt a liberal policy of permitting individual mines to produce enough gold bullion to return their maintenance costs.

Gold mining not a non-essential industry:

The practice of constantly referring to the gold mining industry as a "non-essential industry" which for some time has been and still is currently emphasized in bulletins, press-releases, directives, and regulations issued by the War Production Board, War Manpower Commission, and Office of Price Administration, casts an unjust reflection on an industry which furnishes the sole important source of peace-time employment and major source of local business in over 19 counties in California, practically all the counties of Nevada, Idaho, and Colorado and important parts of Oregon, Washington, Utah, Arizona, Montana, South Dakota, New Mexico, and Wyoming. Without desiring to detract or draw from

man-power or materials actually used or useful in the war effort, we demand that these government agencies cease this unjust discrimination against our industry as compared with other peace-time industries who serve no more useful purposes in war time, and accord us our fair share of labor certifications and material priorities necessary to permit operation under existing limitations of Order L-208.

Foreign markets for gold:

It is currently reported that the free market price for gold in India, North Africa, and Asia Minor has fluctuated between \$40 and \$80 per ounce, and that mines in the British Dominions are enjoying that price for their product; and this meeting of mining representatives from the Western mining States believes that restoration of the ability of American gold mines to produce gold at the earliest moment consistent with war man-power demands, is essential to the preservation of the local economies of the districts in which they are located, to postwar employment opportunities for miners and prospectors, to the maintenance of an adequate national currency backing of gold, and to the stabilization of international money exchanges on a basis that will permit of the free resumption of international trade after the war. We believe that the President and through him, the Secretary of State of the United States should be memorialized to take such steps and enter into such negotiations as will make free markets for gold in foreign countries available to American gold producers, and will remove current legal restrictions on the export of newly mined gold to such markets by American producers.

Monetary Policy

We advocate the use of gold and silver in the International Fund and also in the International Bank, proposed at the Bretton Woods Conference of 44 nations or in any other International Monetary Program. We believe that the American people are in favor of a sound monetary system, safeguarding their interests against paper inflation. Printing press currency is not desired by the average American, nor does he want the currency of the United States debased by any international group of "experts."

Experience of the world with greenbacks after the Civil War, and with worthless German marks after World War I, was disastrous and caused a lack of confidence in any "managed currency" plan.

Stockpiling

It is imperative to the continuation of the mining and smelting industry and postwar employment of the maximum number of employees possible, that (1) all government owned stockpiles of strategic or critical metals and minerals and all government owned or controlled nonferrous scrap metal shall be frozen at the termination of European hostilities, and that (2) all reverse lend lease and preclusive purchases of metals and minerals should be added to such frozen stockpiles, as failure to do so means the stagnation of the mining industry of the United States.

These reserves of critical or strategic metals and minerals should be kept inviolate for future war emergencies and must not be released except by Act of Congress.

Taxation

Drastic alteration in the Federal tax laws and their administration is essential to the development of new mines and to the maintenance of production and employment in existing mines at a satisfactory level.

Prompt revision of the Federal income tax laws must follow the conclusion of hostilities. Otherwise, a speedy and orderly return to a productive and stable peacetime economy based upon American principles of free enterprise will be impossible. The

necessity for large revenues will continue after the war and the mining industry recognizes its obligation to bear its fair share of the necessary costs of servicing the national debt and of efficient and economical administration of the government. These costs can be met and the Federal budget balanced only if taxes are imposed for the sole purpose of providing revenue and are levied in such a manner as to preserve individual incentive and encourage the investment of risk capital in the production of new wealth and the expansion of employment. Only in this way can the American standard of living be maintained and improved and national solvency be assured.

The excess profits tax must be quickly repealed upon the termination of the war. This tax penalizes efficiency, deadens incentive, and imposes an arbitrary ceiling upon the rewards of productive effort which, if continued into peace time, will do mortal injury to our system of free private enterprise.

Other corporate taxes should be reduced as much as fiscal necessities will permit and so simplified as to eliminate the burden of multiple returns and reports. The capital stock tax and related declared-value excess profits tax should be repealed. The crushing discrimination against business corporations worked by existing tax laws must be removed. The present unjust double taxation of corporate earnings should be ameliorated by some system of credits or by the partial exemption of corporate dividends, in order that shareholders of corporations, whether large or small, may be permitted to receive a fair share of corporate profits.

The taxation of capital gains at high rates and arbitrary limitations on the deduction of capital losses effectively discourage the investment of risk capital in new enterprises. This is especially true in mining enterprises in which the hazards of loss are great. A ceiling rate of not more than 15 percent should be provided in the case of long-term capital gains and arbitrary limitations upon capital losses should be removed.

Adequate allowances for depletion are essential to the preservation of a sound and dynamic mining industry. Such allowances, including percentage depletion, should be preserved in any revision of the tax laws. The administrative simplicity of the percentage method of depletion is seriously threatened by hypertechnical administrative interpretations and procedures, the apparent tendency and purpose of which is the reduction of the depletion base. Wherever necessary, clarifying legislation, such as the recent amendment defining gross income from the property, should be enacted to nullify arbitrary bureaucratic action in derogation of legislative policy and intent.

Section 122 of the Internal Revenue Code, relating to the net operating loss, should be amended so as to eliminate certain limitations which work serious and invidious discrimination against the natural resource industries.

The present opportunistic administrative policy of retroactive revision of rates of depreciation is unfair and disturbing to the fiscal stability of industry and should be revised.

The present policies and procedures of the Bureau of Internal Revenue in the administration of claims for relief under Section 722 of the Internal Revenue Code are antagonistic to the spirit and purposes of this equitable provision and should be drastically modified. Elaborate instructions which have been given to field agents to guide them in the processing of these claims should be published and thereby be made to run the gauntlet of free criticism.

All internal revenue directives and instructions to field agents as to policies to be followed in disposing of taxpayers' cases should be made public.

Public Land Policy

This Conference strongly disapproves the reported policy of the General Land Office in initiating proceedings to have mining locations held void for lack of discovery, where they are made on the unreserved public domain by locators who believed in good faith that they contain valuable metals in mineable quantities and have been prevented by war temporarily or other conditions from perfecting their discoveries. The Taylor Grazing Act should be amended to prohibit the initiation of such contests by the General Land Office for the benefit of grazing land lessees, and the latter should be relegated to the courts for protection if they believe their rights have been infringed by mineral locators.

We condemn without reservation the arbitrary and illegal withdrawal by executive order of vast areas of the public domain from universal entry, by various divisions of the Department of the Interior. Such action prohibits the development of new mines and destroys all possibility of increased employment in the industry. We oppose the provisions of U.S. Senate Bill 736 and any other bill introduced or that may be introduced containing similar provisions or objectives.

Disposal of Basic Defense Plants

We favor an orderly transition from Government ownership to private ownership and operation for all present Government-owned "war plants," but only on a sound economic basis; and that this process or changeover be done in such a way and at such a time as not to interfere with national security.

We urge that before a plant is shut down or its production curtailed prior to ultimate sale or disposal, due consideration should be given, insofar as possible, to the overall economics of such change; that such change be made, when possible, only after a thorough-going survey by competent disinterested, nonsectional, non-political engineers and specialists.

We favor outright sales of such war plants to private industry whenever they can be made in harmony with public welfare. Plants and equipment of potential postwar value which may be found to be unsalable in the immediate postwar period, except at sacrifice prices, should be leased for private operation until economic conditions governing their ultimate actual value can be determined. Leases should be made with the objective of putting the facilities into useful operation and as a means of testing the market for the product. Leasing policies may also be employed to keep in working condition those plants which may be needed in future military programs.

BEARING ON OWNERSHIP OF OUR "USELESS" GOLD STOCKS AT FORT KNOX

The following is an extract from the monthly news letter of the Oregon Section of the American Chemical Society:

Let's look at the poor foreign countries our commissions will now save (by restrictions on U. S. business, of course).

Since this country entered the war, other countries have added \$6,350,000,000 to their gold and short-term dollar resources. Many do not realize how our war expenditures help do this. When we entered the war, the total monetary gold stocks of the rest of the world were about \$8,750,000,000, of which about $\frac{1}{4}$ was held under ear-mark in this country. It is estimated (conservatively) that another \$2,000,000,000 gold was held in government and central bank accounts. With the \$3,500,000,000 of foreign-owned bank deposits and investments (short-term) the total foreign gold and dollars were in excess of \$14,000,000,000.

To this should be added \$3,000,000,000 in foreign held U. S. stocks and bonds and \$3,500,000,000 in direct investments.

As the war proceeded, payments to foreign countries rose. Strategic material imports increased greatly. We paid cash for these. During this time our cash exports have fallen way off (Lend-Lease going up). Thus our cash trade balance turned against us. Our troops in Australia spend \$200,000,000 a year for goods and services over and above reciprocal lend-lease. During the North African campaign, we spent in excess of \$400,000,000 in Egypt alone. These payments to foreigners have piled up - we have not had goods to sell them - they get them free under Lend-Lease. Add to this the decrease in our gold production and the decline in U. S. gold stocks, and the end of this year will see foreign-owned gold and dollar balances hit the \$22,000,000,000 mark - about double the total world gold stocks 10 years ago.

In 1919, at the end of the 1st World War, the foreign total was only about \$5,000,000,000. Now our economists are telling us that we must continue lend-lease to Great Britain after the war with Germany is over. The annual cost would only be a trifling \$2,500,000,000 over and above war costs (\$78 per average family). Reasons - normally the Kingdom imported about \$4,000,000,000 worth of goods each year (62% food-stuffs). This was paid for by foreign investments - \$800,000,000; shipping, \$500,000,000; exports, \$2,500,000,000; balance by miscellaneous, services (insurance, etc.). With declining exports Great Britain visualizes that she will be short \$2,500,000,000 of balancing this "economy", and that's where we come in. They don't want a loan - they want lend lease.

Not counted by these same "economists" is the fact that due to our past lend lease our own debt has skyrocketed while Great Britain has been able to keep hers down to \$70,000,000,000. Now repeat the above for all the other countries and answer the \$64 question: When all the International Economic Commissions start to regulate U. S. production downward (otherwise there is no reason for their existence) how are we going to save the Brave New World?

ALUMINUM DUST TREATMENT FOR SILICOSIS

According to ROCK PRODUCTS, August 1944, interesting results on the use of aluminum dust as an inhalant treatment of silicosis have been published by the Canadian Medical Association.

McIntyre Research, Ltd., a subsidiary of McIntyre Mines, has been experimenting with preventives and treatments for silicosis for many years. In 1939 this company's research showed much promise in the use of aluminum dust, and intensive testing among the employees of its gold mine at Timmins, Ontario, was begun. According to a recent report in the Canadian Medical Association Journal, the research scientists state that their treatment appears to be followed by beneficial results in a significant proportion of cases.

The treatment used at the McIntyre mine consists of inhalation of aluminum powder. This material is produced by pounding small pieces of thin aluminum sheets into a fine dust, according to a process worked out at the Pittsburgh plant of the Aluminum Company of America. When the aluminum powder is inhaled, the reaction in the lungs coats silica particles with a thin gelatinous film, inhibiting the serious effect of silica on the respiratory organs.

The McIntyre experiments upon 41 men, of whom 34 completed the treatment, consisted of starting the subjects with a five-minute inhalation of the powder. The dosage was stepped up to thirty minutes and the treatments were continued over a period of nearly a year in some cases. At the end of the treatment period, 19 out of 34 men showed clinical improvement, evidenced by either disappearance or appreciable lessening of shortness of breath,

coughing, chest pains, and fatigue. Fifteen of the cases showed neither improvement nor deteriorations and in these cases the subjects had continued work in silica dust, and for this reason results of the tests on these men were considered notable by doctors. Other silicosis subjects under observation who did not take the aluminum dust treatment showed progression of the disease in six of nine cases.

Testing was undertaken at Washington, Pennsylvania, on subjects working in brick-making and refractory plants, foundries, rock quarries, and sand-blasting jobs. Thirty-three cases suffering from silicosis and who had been exposed to concentrations of 17% to 97% free silica all showed improvement in 135 serious cases. Six of the group were unchanged and two became worse. In less serious cases, comparable beneficial results followed the treatment.

MERCURY IN JULY 1944

The U. S. Bureau of Mines in its monthly mercury report No. 60 released September 2, 1944 gives the following statistics on mercury production for July 1944:

The downtrend in mercury production continued in July and the total for the month was the smallest recorded since April 1940. Consumption resumed the decline that was in progress before June and was smaller than in any other month since February 1942. At the end of July, probably principally because of the favorable market relationship between production and consumption in both June and July, the price reacted from the prolonged drop that began at the end of September 1943 and became precipitate in January 1944. In July mercury was removed from the list of materials that are subject to the restrictions of General Import Order M-63.

The production data for July are calculated on reports covering 63 mines that accounted for 97 percent of the total for 1943. Only 21 of these mines were productive in July and 5 of them accounted for 75 percent of the total for that month. Four of the mines are in California and one in Oregon.

Salient statistics on mercury in the United States in 1939-43 and in January-July 1944, in flasks of 76 pounds each

Period	Production	Consumption	Stocks at end of period		Price per flask at New York
			Consumers and dealers 1/	Producers 2/	
	Average Monthly				
1939. . . .	1,553	3/ 1,742	12,600	376	\$ 103.94
1940. . . .	3,148	2,233	14,100	607	176.87
1941. . . .	3,743	3,733	12,400	439	185.02
1942. . . .	4,237	4,142	10,700	1,377	196.35
1943. . . .	4/ 4,327	4,542	13,200	3,457	195.21
	Monthly				
1944:					
January .	4,400	3,400	11,300	5,459	151.60
February.	3,800	3,700	9,400	5,450	130.00
March . .	3,800	3,600	9,900	5,011	130.00
April . .	3,700	3,200	9,700	5,604	128.20
May . . .	3,400	3,100	8,900	6,171	115.54
June. . .	3,000	3,400	9,000	5,757	101.69
July. . .	2,700	3,000	9,300	4,129	100.56

1/ Largely excludes red-stilled metal. 2/ Held by reporting companies. 3/ Apparent consumption. 4/ Based on final figures.

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