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COMMODITIES

Kahn puts U.S. metals producers in inflationary price rise

U.S. producers of copper, zinc and lead are caught in a bind: they must either link their producer prices to the major commodities trading markets in London or New York, or face the wrath of President Carter's wage and price control council, which is prepared to issue sanctions against producer prices it considers too high.

Wage/price control "czar" Alfred Kahn has dictated a price-guidelines approach to U.S. producers of metals which observers in industry, Washington circles and investment houses all agree is bizarre, to say the least. Taking each metal separately, Kahn has declared that if a few major corporations producing that metal agree to link their prices to the New York Commodity Exchange (Comex) daily rates, that metal will be considered excluded from voluntary price guidelines.

Thus, copper—whose price has skyrocketed from an average 68 cents in 1978 to a present range of between 97 cents and a four-year record of $1.05—is exempt from controls because Kennecott, Anaconda, and Cities Service have contractually linked their price to the Comex rate since 1975.

Zinc and lead however, are not exempt, despite the fact that zinc prices, just like copper, are strongly affected by international marketing conditions and by production costs abroad.

U.S. industry sources report that zinc producers are under pressure from "financial advisors" to enter into a Comex-linked pricing arrangement to free themselves from the guidelines.

Meanwhile, nickel—whose price rose 70 cents in three weeks, largely due to a strike at Canadian Inco—has not been touched by Kahn's council. Publicly, Kahn has argued that there are so few nickel producers, that the companies can be trusted to enact voluntary controls without government surveillance. Kahn's pronouncement on nickel, however, was probably motivated by the fact that on April 23, nickel will begin to be traded on the London Metal Exchange (LME), a foot in the door to being traded on the Comex.

"Free enterprise" unmasked again

How could such a policy ever be justified, considering that the 5 to 30 percent rise in world metals prices since mid-November 1978 demonstrates conclusively that linking prices to open market commodity exchanges is by no means "anti-inflationary"?

The justification which the Administration in Washington has used is the following: in the case of metals producers, the government is equally concerned that corporations obey antitrust legislation as with keeping prices down.

Although linking prices to the Comex may entail large metals price rises, Washington has argued, there will at least be "free competition" governing these prices in an "open market" environment.

Specifically, there are known cases where U.S. metals producers have been slapped with expensive and damaging anti-trust suits for *lowering* their prices to levels "overly competitive" with smaller producers. In order to cover against possible legal actions, the metals companies are forced to link their price to Comex rates, to prove their prices are neither too high nor at unfair dumping levels.

The effect of Kahn's policy is that it forces U.S. metals producers into the exact same trap as domestic oil companies which fought for deregulation. These oil companies support lifting U.S. domestic oil prices to international levels rigged by British Petroleum and Royal Dutch Shell, two institutions which are at the center of British banks' financial policy to trigger a devastating U.S. depression.

Similarly, by forcing metals prices to be fixed to Comex, Kahn is really tying U.S. materials costs to the LME—since the LME sets the pace for Comex rates every 24 hours.

—*Renée Sigerson*

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