A New Mining Boom Grips the Nation

In northern Minnesota sulfide copper mining is being proposed for the first time on the edge of the Boundary Waters Canoe Area. Old copper mines in Michigan’s Upper Peninsula, Arizona, and New Mexico are reviving. Uranium mining, all but abandoned in New Mexico, is reviving with proposals to extract the radioactive material by injecting chemicals into the ground to dissolve the uranium and pump it out without actually mining. Back in northern Minnesota, iron mining is reviving and a new domestic steel industry may develop there. Silver mines in Idaho’s Panhandle have reopened. Gold mining is booming in Nevada.

The old metal mining districts of America, until recently only historical relics of a rich mining heritage, were largely abandoned by America’s large mining companies in the early 1980s. In fact, most of those familiar American mining companies themselves disappeared, bought up by energy companies or Canadian, Australian, and Mexican mining companies. Anaconda Copper, ASARCO, Phelps Dodge, etc. have all been swallowed up by international conglomerates.

But metal mining in the United States is on the verge of a spectacular revival driven by very high international metal prices. In recent years iron, copper, silver, and gold prices have approximately quadrupled, nickel prices have increased almost six fold, and uranium prices rose 19 fold. Not surprisingly, that got the attention of mining companies whose efforts had largely been focused outside of the United States.
The standard explanation for the sky-rocketing metal prices is that the ongoing rapid expansion of the Chinese and, to a certain extent, the Indian economies have created a demand for metals that existing mines cannot meet. Adding two billion increasingly prosperous consumers to international markets has jacked up demand in an unprecedented way. Many commentators are warning us that we should be prepared for a period of permanent scarcity as the consumption habits of the rich countries are adopted by populous and once poor and but now increasingly prosperous nations. The high metal prices, along with high energy prices, are just an indication of the increasing scarcity of natural resources.

Clearly there is a relative scarcity right now, driving raw material prices upward. Before concluding that this is a permanent situation, we should recall that something similar took place in the 1970s at the time of our first energy crises. Not only energy prices but food prices and metal prices rose steeply in the 1970s. Minnesota’s Iron Range hummed with activity and that state prepared to plunge into copper mining. New Mexico was producing record amounts of uranium. Gold, released from government price controls, was skyrocketing in value and new gold mines were springing up across the West. Silver prices also shot up and the mines in Idaho’s Silver Valley eagerly sought to help fill that demand.

As we entered the 1980s the “scarcity” of metals evaporated and metal prices plunged. The Anaconda copper operations in Montana shut down and the Anaconda Company, itself, went out of existence. Uranium production in New Mexico, iron production in Minnesota, and silver production in Idaho came to a virtual halt. Tens of thousands of miners and smelter workers lost their jobs.
This was not completely unexpected or unprecedented. There is not a shortage of metal ore deposits in the earth’s crust, just a shortage of relatively rich, easily accessible, low cost sources. When metal prices rise well about their typical levels, a broader range of ore deposits become financially feasible to mine. Mining companies rush to develop the most attractive of the reserves they own and, with a lag, large additional amounts of those metals come onto the market. Meanwhile, the high prices discourage consumption, pushing metal users to be more careful in their use and making alternative materials more attractive. The net result is decreased demand and increased supply and falling metal prices. The boom motivates actions that ultimately lead to a bust. Metal prices plummet. Mines, mills, and smelters cut back or shut down.

The mystique surrounding metal mining suggests that gold, silver, uranium, and copper ore deposits represent priceless wealth just waiting to be discovered and extracted. Sometimes economically illiterate environmentalist and naive government agencies block the mining of those treasures, but ultimately, that wealth is recognized and we extract it. But, in fact, most of the metal deposits in the earth are currently worthless because they cost more to extract than the metals are worth. They will remain where they are, un-mined, indefinitely into the future not because of economically irrational environmentalists but because they are not really economic resources. The costs of extraction and processing exceed their value.

During metal mining boom times such as the present, that changes slightly and new deposits look attractive. We should be cautious, however, about the environmental and social cost we are willing to pay to accommodate the new mining because as has always been true in the past, this mining boom will lead to a bust and we will again face
cleaning up the near permanent toxic mess that metal mining has always left in its
wake.

This is not a new day for metal mining. It is just the most recent disruptive and
potentially destructive phase of an ongoing cycle of boom and bust.