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# Raw Material Policy in the Market Economy

The temporary stringency of mineral oil supplies in combination with political crises in important raw material producing countries, the efforts of raw material suppliers to form international cartels, the nationalization of foreign mining investments and certain export embargoes has directed political and public attention in the industrialized countries to the question how to safeguard the supply of raw materials over the long term. So of course has the discussion about the exhaustion of the natural raw material reserves.

It has not always been observed that quite different views must be taken of the consequences of the oil shock for the short term and for the longer term. Nor has it always been appreciated that the situation in the mineral oil sector cannot be simply translated to other commodities. It has been almost forgotten that in the market economy it is primarily the task of private enterprises to make sure of raw material supplies.

Measures by the state are of subsidiary importance where either the conduct of a majority of individual firms leads to undesirable results for the economy as a whole or else an engagement is required which is beyond the strength of the private sector of the economy. Only insofar as this is the case, must the state in the market economy concern itself with the procurement, stocking and use of raw materials as part of an official policy of safeguarding the supply of raw materials.

The conditions prevailing in a competitive economy set narrow limits for opportunities to establish and maintain private inventories of a size sufficient to make sure of adequate raw material supplies and not primarily to cover the needs of current production. For the competitive position and profit situation of a private enterprise are affected by inventory financing and storage costs. If raw materials are to be stocked to cope with medium-term supply bottlenecks, national and international stock-piling concepts must be evolved which have a zero effect on the competitive conditions.

It can be an objective of a state policy directed at the safeguarding of the supply of raw materials to lessen the dependence upon imports through

a raw material procurement programme. Under the conditions of the market economy too heavy a strain is put on individual enterprises if they are expected to maintain, in the interest of safeguarding the general economy, unremunerative production facilities as spare capacity for an emergency. If they are, the state must provide loss compensation.

Most industrialized countries put the emphasis in their official policy for the safeguarding of raw material supplies as far as the procurement side is concerned on intervention with the aim of reducing the risks inherent in purchases from abroad. Information services, insurance programmes, financial assistance and tax relief are among the measures customarily taken by states. German and Japanese firms in particular could not effect foreign investments or conclude long-term supply contracts without such assistance.

Inter-state cooperation treaties and investment protection agreements are subsidiary measures which are also available to the state. The state can also give effective support for private activities concerning raw material supplies by participating in international commodity conferences or agreements and in the work of international organisations and supranational authorities.

On the premise that in an economy which is primarily organised according to market economy concepts the state should in principle desist from direct interference with the use of raw materials, any steps to safeguard the supply of raw materials will in this sector have to be confined almost exclusively to the promotion of research and development. Besides, the state should, except in times of acute crisis, interest itself only in the best possible organisation of the utilization of waste materials.

It is difficult to lay down generally valid maxims for state intervention in the market economy in regard to its raw material policy. But in this as in other sectors the principle must be: as much private activity as possible, as little state intervention as necessary. In other words: In the raw materials sector as elsewhere it is for those who call for state intervention to show where the opportunities for private activities end and the need for state intervention begins. *Wolfgang Michalski*